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Regional Affairs

Murmansk Federal Treasury Chief on Tasks

954F1994B Murmansk POLYARNAYA PRAVDA in Russian 15 Mar 95 p 2

[Interview with Yuriy Myasnikov, head of the Murmansk Oblast's Federal Treasury, by Rozaliya Zykhovskaya; place and date not given; under the "A Topical Interview" rubric: "The Treasury Knows Everything: How Much Money Came In, Went Out, and How It Was Spent"]

[FBIS Translated Text] **When, almost a year ago, we learned that a federal treasury was being created in our oblast, POLYARNAYA PRAVDA described this structure in general terms to its readers. For those who have missed this information, we should repeat: The treasury began its existence in Russia under Emperor Paul; it became a repository of all state valuables: money, securities, precious stones. It served as the emperor's all-seeing eye: how much money was going where, and how much was left.**

In the Soviet times, the state bank performed the role of state treasury. It controlled a rigid budget vertical chain: from a rural settlement to a large ministry. Journalists coined an image of this vertical chain: nesting dolls, one inside the other, and in the end—one whole.

Today, in addition to the state bank, several thousand commercial banks operate in the country. Money, including budget money, flows through all this mass. The nesting dolls separated and lined up in a row. But the state needs to know how much money it has. This is why the treasury was created—to control budget money.

Yuriy Nikolayevich Myasnikov was appointed head of this agency. Journalist Rozaliya Zykhovskaya talks to him today.

[Zykhovskaya] First, I would like to ask you a particular question. You control the money going into the federal budget from us, the taxpayers, and we, in turn, want to know how much of this money you spend on yourself, since you are funded by the budget. We hear that the remodeling of the Northern Lights, where the treasury is located (and these are indeed fantastic offices, one could only wish everyone had something like this) cost 2 billion rubles [R]. How do you pay back this money?

[Myasnikov] To make the answer more complete, I should probably start with what has already been accomplished by now. First, the system has been put in place: Treasury branches are operating in practically all the oblast's cities and rayons. Except Pechengskiy. But its turn is coming soon too.

Second, we have already taken over the funding of practically all budget-funded agencies, with the exception of defense, customs, the FSK [Federal Counterintelligence Service] and the UVD [Internal Affairs Administration]. We will eventually handle them too. We have not been in business long enough to cover everything. Especially considering that defense is a hard-to-manage mechanism, and one should not jump into this murky pool unprepared. We have to study all approaches to this sector's funding.

Third, I believe that we have already implemented fully and in depth one of our most important functions: control over federal budget revenue. This was not easy, keeping in mind that there are about 40 commercial banks and credit institutions operating in the oblast, and each of them conducts operations with taxpayers' money intended for the republic budget.

Control over revenue, however, is only the first phase of our work. The next, and coming very soon, is control over expenditure of budget money. To a certain extent, we are already doing this work, but we have not yet worked out all the snags.

And now an answer more to the point of your question. We have been talking for a long time about banking discipline.

[Zykhovskaya] That the banks rake in profit by putting our money to work?

[Myasnikov] I want to use only the legitimate terminology. Anyway, about the banking discipline.... Over the time we have been in business, we have audited practically all the banks operating on the oblast's territory, and have seen that they are in no hurry to transfer into the republic budget the money they receive from taxpaying enterprises. The only difference is the extent of this "sin." One bank holds the money for three or four days, and another—for a month.

[Zykhovskaya] Not bad! How much money can one make over such time! Loan out a billion at 200 percent.... Except that who will learn, and when, how much money has been made on such operations?

[Myasnikov] We approached these violations from a different angle. Imposed convincing fines for holding budget money in banks' accounts. And it came to a very substantial amount—more than R2 billion. Over seven months.

But this is not even the point. The treasury now constantly checks on banking discipline, and many banks already have been warned that they could lose their licenses. In short, they have understood—or, shall we say, are beginning to understand—that in addition to their interests, there are also the interests of the state.

[Zykhovskaya] How useful are you to the oblast administration? I mean your assistance to them in managing budget money.

[Myasnikov] In this respect, we should be talking about two structures that aid the oblast: the tax men and us. The tax inspectorate is carrying out tremendous work: It collects taxes and implements, so to say, the splitting: into the federal and local parts. Twice a month it provides information on this splitting. Beginning 1 April, however, when the federal budget account opens in the oblast, we will be able to have information about its contents daily. Such full transparency of the budget is necessary. Do you want to know every day how much money you have and how you can dispose of it? The oblast administration needs the same information—and to an even greater extent, since at stake are the interests of millions of inhabitants of the northern regions.

And this is not all. Accumulating in the treasury the federal budget money earmarked for our own needs will facilitate and speed up the money's transit from Moscow to Murmansk. Naturally, I am not talking about banknotes per se—just the documents.

[Zykhovskaya] In the past, all taxes were collected together; 34 percent were transferred to the republic budget, and then we hammered out of Moscow what we needed to maintain budget-funded agencies....

[Myasnikov] Of course, and these operations were taking a lot of time. Money was devalued by inflation. Now it will be put to work right away. Of course, the administration wants it to happen. But.... As I already said, the treasury will not only collect money but also monitor its expenditure. And this already makes it inconvenient for the administration. They now are accountable to someone. I think, however, that some concessions can be made for the sake of greater benefit.

[Zykhovskaya] You keep talking about control over funds allocated by federal structures. Will this not tie the leadership's hands and feet?

[Myasnikov] It will. In any case, this is what the treasury has been created for. The money you earn yourself you can spend any way you want. But the budget money you have to account for. If you only knew how our economic managers spend money....

[Zykhovskaya] It would embarrass you, make you both laugh and cry?

[Myasnikov] Many people have gotten used to being unaccountable. Our audits showed that billions have gone where they should not have been going. Which means the budget got drained. The treasury has to bring order in this too. By the way, had the treasury system been in place nationwide, "Black Tuesday" would not have happened. Our agency is supposed to keep track of every ruble.

[Zykhovskaya] Who knows when this will happen....

[Myasnikov] It will. No later than the second half of this year.

[Zykhovskaya] Thank you for the conversation, and I wish you—which means all of us—a full budget.

Moscow Subway Civil Defense Exercise Held

MM1404152495 Moscow KRASNAYA ZVEZDA in Russian 14 Apr 95 p 4

[Report by Major Konstantin Petrov under the "Moscow Reportage" rubric: "Exercises Underground? Yes, It Happens"]

[FBIS Translated Text] The electronic clock at the end of the platform is showing just after 0100 hours. The subway is almost deserted.

"The last train will pass at 0145, and then we'll begin." Nikolay Novikov, chief of a department of the subway administration, looks around at the people in orange protective gear who have assembled at the station.

It is up to the Tagansko-Krasnopresnenskaya Line to begin, or rather continue, the exercises (today is the third stage). Incidentally, nighttime comprehensive measures of this kind are carried out regularly under the civil defense plan. In the course of today's, the personnel are to rehearse a situation involving a "strike" by mass-destruction weapons on the surface and the need for a significant number of citizens to take cover safely in the subway at a depth of 5-70 meters underground.

0150 hours. At the subway civil defense headquarters—a small roomful of staff—they are defining the order of work and tasks and beginning to work out identification signals, the procedure for assembling leaders and specialists, and the actions of the duty shift on the basis of the scenario instructions. Exercise leader Anatoliy Parfenkov and his colleagues, despite the late hour, are focused and alert. Observing their actions, I begin to believe that, after all, things are not all that bad here when it comes to questions of protecting people.

Meanwhile, in the subway lobby, a composite detachment is forming up efficiently, military-style. Sections for reconnaissance, power supplies, signals—each now has its task....

Let me make it clear at once that they flatly refused to tell me the details of the range of measures being carried out in the subway in the capital and elsewhere. I think we can understand the experts here. After all, what commercial bank, for instance, would publish its security secrets today? And here the price of a "leak" cannot be compared to any monetary damage—we are talking about people's health and lives. Nonetheless, during the exercise one of the staffers explained that the previous day, in the second stage of the exercises, the "Tokyo situation" had been partially simulated. The scenario is like this: Passengers inform the driver, by the internal communications link, that there is a strange smell in the car (this procedure, incidentally, is stipulated in the current rules). This leads to a report to the control room, from where the integrated control of the vast and complex mechanism of the subway is exercised. Measures are adopted immediately. What measures? First of all, the same as in the case of accidental smoke emission. Which, let us observe, operate faultlessly. The special mechanisms and powerful ventilation system with which the "underground city" is equipped make it possible, first, safely to shut off the affected sector or station, and then, by feeding in clean air from various directions, to eliminate the contaminated or unsafe air via special shafts.

In the case of the necessity to "take in" air from the surface, filter ventilation devices come into play. The result—even highly contaminated air is fairly effectively cleaned by the time it gets underground.

How rapidly could these measures be adopted? It all depends on skilled and concerted actions by the driver, the duty team, and the control services. That, in fact, is the purpose of the exercises.

0210 hours. Information on the situation is collected from the reconnaissance section. The power and engineering service is beginning to receive people. All three belts of the escalator are switched over to work in the same direction—in. On this night I get my first opportunity to see in action the legendary protective sealing devices—the gates [zatvory]. Iron "curtains" weighing many tonnes rise straight up from the ground and come out of the walls, closing the entrances and exists. It is, frankly, an impressive picture. It is like being in a castle in the days of the knight Ivanhoe. The sealing gates are capable of withstanding a shock wave, landslides, and rushing water, and protecting people from toxic substances. Their activation can be watched on the station duty officer's control panel.

Incidentally, a word about surveillance and other subtleties connected with the subject of terrorism in the subway. It is practically impossible to be 100-percent secure against such phenomena. The same is true, for instance, of a car accident or an encounter with a hooligan in the lobby. But you can reduce to a minimum the possibility of criminal intentions being realized. As the experts explained to me, this can be achieved primarily by means of "efficient and intelligent actions in routine and irregular situations by subway workers, and strict observance of the rules by passengers." So as you glance at the advertising in the subway car, take a second or two to read once again the dry phrases of the rules. Just in case, as they say.

0300 hours. Reports come into the civil defense headquarters from the stations. I will cite just a few of them, once again without publicizing the details. "One sector of the station is in danger of flooding.... Special processing of the premises urgently required.... Power supply cut off.... Water and medical supplies needed for citizens sheltering in the station...." Make a decision, civil defense chief of staff!

Khabib Sadulloyev and the members of his staff are ready for such scenarios. It takes seconds to assess the situation and made decisions, and seconds to issue clear directives and commands. In the "flood" area, pumps are switched on and an urgent evacuation begins.... A subunit is sent on its way to provide special processing of the "affected" station, power supplies from the broken-down substation are resumed....

Like any other exercise, the subway exercise ends with an analysis and summing up of results. All this happened here too. There was criticism and a professional discussion of various "hitches." I myself, while listening to this discussion, was thinking about something else. About how the subway is, after all, a strictly peaceful institution. It is convenient and it looks good, it is necessary to every Muscovite and every guest of our city. What a monster you would have to be to shrug all this aside!...

0545 hours. The station, like the entire subway line, opens for passengers.

Moscow Air Defenses Seen 'Diminished'

MM1204122495 Moscow KRASNAYA ZVEZDA in Russian 8 Apr 95 p 1

[Interview with Aviation Colonel General Anatoliy Kornukov, commander of Moscow Air Defense District, by Aleksandr Ivanov under the "Tomorrow Is Air Defense Forces Day" rubric; place and date not given: "Troops In Constant Readiness"—first paragraph is introduction]

[FBIS Translated Text] On a professional festival it is customary to address fine words to those responsible for the festivities, while the latter in turn share their successes and achievements, as was customary in past years. But nowadays we most frequently use our festivals in order to draw attention yet again to unresolved problems. So on the eve of Air Defense Forces Day we have something to speak about with those who, figuratively speaking, hold the keys to Russia's skies. Of course, you cannot enumerate all the problems in a "festive" feature. So we decided to address the most typical problems in the example of a unique operational- strategic formation of the Air Defense Forces—Moscow Air Defense District. Aviation Colonel General Anatoliy Kornukov, the district's commander, agreed to answer our questions.

[Ivanov] Anatoliy Mikhaylovich, a question from the "stagnation" years, as the saying goes: What successes do the district's troops bring to greet the professional festival?

[Kornukov] Last year the district was rated among the best by the minister of defense, and all the field firing on the ranges was carried out successfully. Reequipping with the latest S-300 antiaircraft missile systems and modern fighter-interceptors is virtually complete. After 10 years of hard work the creation of a new automated system for guarding the Moscow region was also completed last year.

These, in general, are all the successes. There are far more problems. The antiaircraft missile troops have been reduced by 50 percent, fighter aviation by over 60 percent, and the radiotechnical troops by one-fourth. But the tasks to be resolved remain as before.

In addition, in the process of staff organizational measures we have lost a lot of trained specialists who had experience of managing heterogeneous forces. Social and domestic problems have been exacerbated. But in the process of the planned reform of the district these two problems will hit us still more painfully. Thus, just according to the results of a poll of the district's management, over 100 officers and generals who have not yet served the prescribed terms of service can be expected to be discharged into the reserve.

[Ivanov] Anatoliy Mikhaylovich, is funding a little better for you, perhaps, in view of the "capital" status?

[Kornukov] Our finances are tight, as with everyone else. We owe construction organizations over 50 billion rubles [R], and we owe R3 billion for food for the units. If there is no money, there is no fuel and, thus, there are no exercises or flights. There have been instances where, because of nonpayment, electricity has even been cut off in units on alert duty.

We have to combine exercises, fit in with Air Force measures, and seek new methods of holding combat training exercises.

[Ivanov] Although it is called the Moscow District, it will have a somewhat larger area than some countries—25 oblasts and three national territorial formations. But it is not some out-of- the-way place. The housing situation should, to all appearances, be a little less strained for your servicemen....

[Kornukov] There has recently been quite a lot of construction in military camps. But, alas, there are still about 20 protracted construction projects, and these are apartment blocks. There is a shortage of these on certain camps. People there are living in ramshackle barracks and prefabricated wooden houses that were built under Beriya, who was once in charge of our troops.

[Ivanov] Anatoliy Mikhaylovich, in your own words, the troops' daily life leaves something to be desired and, when colleagues leave in search of a better lot, some people have to serve for themselves and, as the saying goes, for the other guy. This is not to mention the pay given for military jobs. Under these conditions, how reliable are our air defenses?

[Kornukov] Our specialists are under a great strain on alert duty. The radiotechnical troops process 2,500-2,800 targets every 24 hours. With the start of the combat operations in Chechnya, following Dudayev's threats to bomb Moscow, we put the alert forces on red alert and established more rigid cooperation with air traffic control organs and the aviation of other branches. In general, there is plenty of work.

Last year, for example, even without this we recorded approximately 200 violations of the regulations governing the use of airspace, and we had to take measures to return aircraft to their airfields of departure, while in certain cases we even sent up fighters.

The following problem exists here. We have the law on the state border, but there are no corridors for flying over it. Sometimes we are not informed in good time about a crossing of the border—this is the case with airlines belonging to Ukraine, the Baltic countries, and some others.

But I must speak honestly about one thing: The effectiveness of the region's air defenses has diminished. With the breakup of the Union we lost the attack echelon. Because of the troop reduction, we made the switch from building a continuous security area to building a target [obyektovyy] one. With the planned transformation of the district into an army the reliability of the air cover will be reduced still further. At the same time the expenditure on reform will be far greater than on maintaining the district....

[Ivanov] Well, thank you for your frankness. It would not be out of place for Muscovites and those who decide how much money must be spent on the country's defense to know that coverage of the skies cannot be ensured with pure enthusiasm. Anyway, congratulations on the festival to you and to your subordinates who are safeguarding Russia's skies even under these conditions.

[Kornukov] Thank you for the congratulations. I am sure that the time will come when the Army will get everything it should have for the defense of Russia. But for now we can only be proud to belong to the Air Defense Forces and continue keeping our watch on the country's air borders.

Siberian Interbank Foreign Exchange Meets

954F2059B Novosibirsk VECHERNIY NOVOSIBIRSK in Russian 5 Apr 95 p 4

[Interview with Aleksey Mamontov, chief of the foreign currency market department of the Moscow Interbank Foreign Currency Exchange, by VECHERNIY NOVOSIBIRSK correspondent Vadim Yuriyev; place and date not given: "The Government and the Foreign Currency Exchanges Now Have Common Interests: The Siberian Interbank Foreign Currency Exchange Will Become Second in Russia After Moscow One"]

[FBIS Translated Text] **A meeting of the Association of Russian Foreign Currency Exchanges (ARVB) was held in Novosibirsk in the end of last week. Its main result was the decision made by the heads of national foreign currency exchanges to join their efforts in implementing the project of organizing interregional exchange trading.**

The meeting participants hope that this will provide a foundation for forming an integrated financial market in Russia. In addition, as Aleksandr Zakharov, general director of the Moscow Interbank Foreign Currency Exchange [MMVB], explained at a press conference, this will give the banks the opportunity to work simultaneously at several exchange floors.

The most important direction of cooperation between ARVB member exchanges also will be organizing an interregional market in government short-term bonds (GKO). So far they are only traded in Moscow. Several foreign currency exchanges in the country, however, already have installed the equipment and completed other preparations needed for organizing GKO trading floors; on top of this, Novosibirsk and Vladivostok trading floors already have established real-time links with the Moscow depository system.

The state generated 5.6 trillion rubles [R] from GKO sales in 1994 (about 10 percent of the federal budget deficit). The 1995 budget again envisages an important role for this financial instrument—to generate about R12.5 trillion in proceeds for the revenue part of the budget. Therefore, as was noted at the ARVB meeting, the government has an interest in setting up a regional network of trading floors in government short-term bonds, which means that foreign currency exchanges, interested in the same thing, can count on the Central Bank's help.

In addition, the association's president was elected in Novosibirsk—Sergey Aleksandrov, former deputy minister of finance of the Russian Federation.

After the meeting ended, VECHERNIY NOVOSIBIRSK correspondent interviewed Aleksey Mamontov, chief of the foreign currency market department and chief foreign currency broker of the Moscow Interbank Foreign Currency Exchange.

[Yuriyev] The Association of Russian Foreign Currency Exchanges, created in 1993, until now had managed without a full-time top official, but now for some reason felt it necessary to elect a president. What has changed?

[Mamontov] When the ARVB was founded, we did not want to follow the example of those who had proclaimed publicly the creation of some structures which later turned out nonviable. Remember, there was a Trading Union, the Congress of Exchanges—where are they now? When the exchanges founded their association, all they declared was that they were together, that they were like-minded, and that was all. They did not proclaim any other goals. They did not even formalize the ARVB as a legal entity. Last year, however, was filled with substantial developments for the association; it turned out that its members now have considerably more common tasks, and the need arose to set up some permanent body for constructive cooperation. Hence the need to give the association certain substance and elect a president.

[Yuriyev] Did the meeting participants have any disagreements on particular issues?

[Mamontov] Practically none. Unless we count purely technical, non-principal matters. There is, however, a different level of dealing with problems. This is due to the fact that some exchanges develop more dynamically (for instance, your Siberian exchange—it is the leader on the other side of the Urals and is entering the GKO market), and others, less dynamically. It was not the kind of a situation where some said: You are developing the GKO market and we do not want to touch it; no. It is clear to everyone that the need will remain for organizing both foreign exchange, and stock, and GKO markets.

[Yuriyev] Why of all the exchanges is it the Siberian Interbank Foreign Currency Exchange that will become the second in the country—after Moscow—to feature a GKO trading floor? There are many other contenders...

[Mamontov] The Siberian exchange is ahead of others in terms of preparedness. Now we are waiting for the Central Bank to issue an instruction on transaction procedures for GKO regional trading floors. As soon as this instruction comes out, the Siberian exchange will be ready to begin trading in a matter of two or three weeks.

[Yuriyev] Did you hear something important to your business from Central Bank representatives who participated in the meeting?

[Mamontov] Probably that the decision has been made to equate municipal bonds to government bonds in terms of exempting them from tax on profit.

[Yuriyev] Do you expect any changes in the policy the Central Bank conducts in the foreign currency market?

[Mamontov] No, there will be no principal changes.

[Yuriyev] What about a fixed exchange rate for the dollar?

[Mamontov] I am certain that at least in 1995 the Central Bank will not do it.

[Yuriyev] What event, in your opinion, was the most important of all in the financial market since the beginning of the year?

[Mamontov] Without doubt, the fact that the money-printing machine has stopped. And will stay this way until the end of the year—the government is bound in this respect by its commitment to the International Monetary Fund.

Novosibirsk Holds Banking Trade Fair

954F2059A Novosibirsk SOVETSKAYA SIBIR in Russian 6 Apr 95 p 3

[A Siberian Fair press release: "Siberian Fair"]

[FBIS Translated Text] From 4-7 April, the Siberian Fair will hold SibBank-95 and SibOffice-95—international fairs of banking and office fixtures, computers, office equipment, software, and security devices. The fairs are rightfully considered the largest in Siberia. It is not accidental that they are held in Novosibirsk, which lately has become the center of financial capital and trade. There are more than 50 banks in Novosibirsk alone, plus a huge number of enterprises and companies. All of them are interested in equipping their offices at the level of world standards and creating maximally effective conditions for business.

About 150 companies from Russia, United States, Great Britain, Germany, Italy, Austria, Poland, and the Czech Republic will exhibit their wares and services at the fair. The participants' offerings lead one to a conclusion that SibBank and SibOffice have become highly specialized fairs. Financial-information systems, technical equipment for banking operations, money counting and processing systems, machines that work with credit cards, bank and office furniture, office supplies—this is only a part of what will be presented at the fair.

Among the most interesting offerings is the RABIS [expansion not identified] automated banking system. This is the only domestic ABS [automated banking system] that operates in real time in a global network (interaction: central control—finance, bank—other banks). The Siberian branch of the R-Style company will demonstrate the RS-Bank automated banking system. Banking software, computers, and office equipment will be exhibited in the booths of Novosibirsk companies Nonolet, Microlab, Contact, Utilex, Delta, Fractal, ITD Electronics, and SAVOI.

About 20 domestic and foreign companies—House Kit (Italy), Ancia Marketing GmbH (Germany), EUROPEUM AO [joint-stock society], Polytrade International AO (Moscow), Formens Ltd. (Novosibirsk)—will display specialized banking equipment: banknote counters- sorters, ruble and foreign currency counterfeit detectors, currency exchange rate billboards, document shredders, and automated plastic card processing machines.

A considerable part of the exhibition is devoted to bank and office security. Television camera surveillance systems, professional guard systems, and individual protection devices will be demonstrated at the Siberian Fair. Metal cabinets, safes, and bank vault equipment will be displayed in the booths of the Novosibirsk companies Konda Corporation and Zadias, as well as Tellur AO (Moscow), Konsmetall (Poland), and Pules Enmaco (the Czech Republic).

Konalyu NPF [scientific-production firm] (Naberezhnyye Chelny) and AvtoVAZ AO will demonstrate to banks' security chiefs the armored cash-carrier vehicles Konalyu-Jeep-19171, Konalyu 330-20T, and VAZ 21213 B.

One-third of the fair participants offer office furniture, communication devices, office supplies, and interior decoration materials. Among them are both companies well known in the Siberian market—NETA AO and Bauflex (Novosibirsk), Unique AO (Moscow), and first-time exhibitors in this field of business in Novosibirsk—HEJS (Poland), Kolve Bureau Design (Austria), and Laud-Link (Moscow).

As usual, the fairs' program will be jam-packed with events. Among them are a Rank Xerox company press conference, and presentations by the Siberian Bank and Siberian International Higher Banking School, as well as Dialog-Siberia and 3M-Russia companies. On 6 April, from 1200 to 1600 R-Style will hold a seminar with the participation of representatives of the Hewlett Packard and Novell companies.

Irkutsk Christian Democratic Union Eyed

954F2013C Irkutsk VOSTOCHNO-SIBIRSKAYA PRAVDA in Russian 1 Mar 95 p 1

[Report by Yuriy Pronin: "'We Have Become Centrists'"]

[FBIS Translated Text] This self-attestation from the speech of Yevgeniy Iofin, co-chairman of the Irkutsk Christian Democratic Union (IrKhDS), may be deemed to have defined the entire course of the third report and election conference of the oblast's Christian democrats. Only, perhaps, the rebukes leveled at the press on the part of the other co-chairman, Gennadiy Khoroshikh ("Our activity is either glossed over altogether or wrongly shown"), characteristic of extreme forces, still prevent us considering the IrKhDS' slow drift to the niche of the right-wing, liberal-conservative center successfully completed. Indeed, the regional party founded in the summer of 1992 has removed from its banners the most radical slogans. In the "third way" and path of Christian democracy sermons the emphases are shifted toward the first component—Christianity. In addition, the federal party, of which the IrKhDS is a member with autonomous status, has as of late been calling itself "Christian Democratic Union—Christians of Russia."

The formation of the party of Christian democrats of the Angara region was connected to a considerable extent with the perseverance of its "awkward" leaders (Yevgeniy Iofin was in 1991-1992 a deputy of Yuriy Nozhikov, and Gennadiy Khoroshikh, a dissent of the pre- perestroyka era). The party ranks are unhurriedly, without pressure, being bolstered: The IrKhDS, one of 47 related organizations in Russia, now has 36 members and 31 fixed supporters, and cells operate in Irkutsk and Angarsk. Social composition: 25 entrepreneurs, 17 lecturers and research workers, 14 office employees, five public figures, two people working in artistic fields and two retirees, and one worker and one student; and 58 persons, or 86 percent, have higher education, what is more. The Christian democrats unite not only believers of all faiths but also those who consider themselves atheists, for the basis of their philosophy are not religious tenets but Christian ethics—a blend of Russian conciliarism and Western individualism and economic freedom and assistance to the weak.

The IrKhDS aspires to re-create the spirit of the native heartland. Two international conferences in remembrance of Aleksandr Men, meetings of the public with the prose writer Boris Chernykh, an exhibition of the artist Nikolay Basharin, and roundtables with the participation of philosophers and sociologists have been staged in close contact with the local organization of the Russian Writers Union (the "men of April"), and the first issue of GUBERNSKIYE NOVOSTI, a weekly of a Christian democratic persuasion, was published recently. "Just as a house cannot be built on sand, so moral values cannot be combined with a justification of the GULAG," Vitaliy Kamyshev, a delegate to the conference and editor of the newspaper, believes; "we cannot be Americans, but nor should we establish our own identity by insulting other cultures."

Those assembled were briefly welcomed by Governor Yuriy Nozhikov: "The life of the country and its prosperity and the normal work of the authorities are inconceivable without political competition and a multiparty system. Christianity, a social foundation, federalism—what else does the state need? I hope for cooperation in the interests of the oblast." In the opinion of Aleksandr Ivanov, deputy of the Legislative Assembly, the doctrine of Christian democracy is interconnected with the process of formation of the stratum of entrepreneurs and the middle class and the development of the moral, ethical principle in business.

"There will at the December elections be a tremendous number of parties and candidates peddling their economic programs," the Petersburger Vitaliy Savitskiy, a guest of the conference, a leader of the Russian Christian Democratic Union, and deputy chairman of the Committee of the State Duma for Grassroots Associations and Religious Organizations, observed. "Many of our potential voters, however, have not gone to the polls since 1989, and it is for this reason very important to attract to the polls those for whom the church and Christianity are the principal value." "The church cannot be on the side of one party, but we support all that is good and exerts a salutary influence on society," Archpriest Yevgeniy Kasatkin, senior priest of the Krestovozdizhenskiy Church, declared. Having met the same day with Vadim, Bishop of Irkutsk and Angarsk, Vitaliy Savitskiy obtained his blessing for activity in the interests of all Christians.

Having recognized preparations for the elections as a priority area of their work, the Christian democrats addressed, not for the first time, to Irkutsk Duma members and Mayor Boris Govorin a package of proposals, which include the return to the streets and squares of the city of their historical names and also the conferment of the title of honorary citizen of Irkutsk on the writer and fighter of the front Dmitriy Sergeyev. Following thorough discussion of the candidates, a seven-man IrKhDS Political Council, including the three co-chairmen of the organization—Yevgeniy Iofin, Vitaliy Kamyshev, and Gennadiy Khoroshikh—was elected.

Irkutsk Agrarian Party Profiled

954F2013B Irkutsk VOSTOCHNO-SIBIRSKAYA PRAVDA in Russian 2 Mar 95 p 1

[Article by journalist Yan Lenskiy: "Not By Numbers But By Ability"]

[FBIS Translated Text] The oblast organization of the Agrarian Party of Russia numbers little more than 100 persons. Not many, it would seem, for such a large area as the Angara region, which has just under 300 kolkhozes, sovkhozes, and other agricultural enterprises, not to mention farmers.

Not many, however, for those who are accustomed to operating by numbers. The agrarians, though, rely primarily, by all accounts, on ability and their authority in the masses of the peasantry at large. And it is considerable, if it is considered that approximately 10 of their representatives have fought their way through into the oblast Legislative Assembly. One, A.A. Turusin, former head of the administration of Nizhneudinskiy Rayon, has been elected a deputy of the State Duma of Russia.

"Nonetheless, an increase in our ranks would do us no harm," A.V. Peretolchin, chairman of the council of the oblast organization of the Agrarian Party, declared at its oblast conference, held last week in Irkutsk. "Can it be normal having 'primaries' on only two farms, practically—the Znamya Lenina Kolkhoz and the Irkutskiy Rayon Sovkhoz-Technical School—and in certain rayon managerial bodies? Especially since new elections to the federal authorities and, following them, presidential elections, in which we must participate most actively if we want a better portion for the state's breadwinner, are in the offing."

Their portion is as yet, it has to be said plainly, unenviable. Irreparable losses have been inflicted on the agrarian sector of the economy in the course of ill-considered, inadequately prepared reforms, which can be seen very well in the example of the Angara region, the conference delegates emphasized. The land, failing in places to receive even one-fifth of the mineral and organic fertilizer applied earlier, is becoming degraded, the productive forces are being destroyed (the retirement of fixed assets is four times greater than their supply), and in terms of the head of cattle and its productiveness, the oblast has been cast back to the mid-1980's.

The current price, financial-credit, and tax policy has made the production of many types of product, particularly milk, meat, wool, and eggs, unprofitable and pointless, as a result of which, according to V.A. Berdnikov, chief of the oblast's Main Administration for Agriculture, the number of unprofitable farms in our region has increased by a factor of 2.5. Over 300 farmer collectives, which were unable to purchase equipment and other material resources, went out of business in the last year alone.

P.V. Sobolev, chief of the oblast Inspectorate for Farm Produce Purchases and Quality, called particular attention to the fact that the food market was to the detriment of the native commodity producer being saturated with commodities imported from overseas, frequently of an inferior quality and past their use-by date.

"At the same time, on the other hand, the oblast is failing to adopt measures to comply with the recently adopted law on purchases and supplies of farm produce, raw material, and food for state needs," he observed, "yet it clearly mentions the obligations of components of the Federation to confirm the extent of supplies for regional food stocks with a guaranteed purchase price, which would ensure expanded production and profitability."

Naturally, the peasants have no intention of reconciling themselves to the current situation. It was no accident that the delegates to the conference unanimously supported the decisions of the Third Agrarian Party of Russia Congress, held just prior to this in Moscow, at which it stated its endeavor to uphold the interests of the agricultural producers even more vigorously.

There may be no doubt that the agrarians will act in the same spirit at the local level also, of which I was persuaded by the speech of N.F. Prokopyev, director of the Irkutsk Sovkhoz-Technical School, who was elected chairman of the council of the oblast organization of the Agrarian Party of Russia. Aside from the latter, incidentally, V.A. Berdnikov, chief of the oblast's Main Administration for Agriculture; A.M. Rakitin, chairman of the oblast committee of the Agricultural Workers Union; P.V. Sobolev, chief of the oblast Inspectorate for Farm Produce Purchases and Quality; A.V. Peretolchin, chief of the Oblmezhleskhoz Association; V.A. Zuyev, chairman of Irkutskiy Rayon's Znamya Lenina Kolkhoz; and A.N. Borodavkin, chairman of the Godovshchina Oktyabrya Kolkhoz, became members of the council.

Upon familiarization with the composition of the council, some people will exclaim, most likely: "Bah, just a collection of chiefs!" No doubt, but such is the reality today:

Commanders of production and specialists, in the main, are predominant in the oblast organization of the Agrarian Party, and there are altogether few ordinary peasants and farmers.

Irkutsk Notes Migration Trends

954F2013A Irkutsk VOSTOCHNO-SIBIRSKAYA PRAVDA in Russian 10 Mar 95 p 1

[Article by Vera Filippova, leader of the oblast Statistics Committee Press Center: "Alone—Hope and Support?"]

[FBIS Translated Text] There is much that has passed and been forgotten. There are sufficient global events in our life beneath Russian skies, and each new event erases in the memory the preceding one, as it were. And micro-census '94, which was conducted a year ago, last February, could, perhaps, be put in the micro-event category. It affected, after all, merely one out of every 20 inhabitants in all rayons of the Angara region, except for Katangskiy. And although 144,437 persons responded to its questions, they constitute only 5 percent of our fellow countrymen. As had been contemplated by the organizer of the micro-census—the State Committee for Statistics—for that matter.

One of its aspects is particularly pertinent against the background of what is happening today. We are talking about the national composition of the population, the structure of which has over the past five years changed. The last all-Union census was conducted in 1989, if you remember. So, then, compared with its data, the numbers of residents of the oblast have increased by only 1 percent, including an increase of 3.7 percent in the numbers of Russians. Migration? Among the more than 70 nationalities encompassed in the Angara region by the poll in accordance with the micro-census program, migration, if judged in terms of absolute figures, has affected primarily Slavs. For example, 3,387 Ukrainians and 525 Belarusians left our oblast in 1992-1993 for their ethnic homeland. And the outflow of Russians to different regions constituted in 1993 alone just under 6,000 persons. For comparison, 136 Uzbeks and 434 Tatars left in this period. But Russians are also preponderant among those coming to us from the former republics of Central Asia and the Baltic and also from all krays and oblasts of Russia. Which is thus far ensuring a positive balance of their migration for the Angara region.

There is a change in trend, incidentally, in the departure for the far abroad also. Whereas in 1991 some 54 Germans opted for a new place of residence, a couple of years later 145 persons had left for Germany. Among Jews, on the other hand, the number of those leaving for overseas declined in this period from 129 to 41.

Irkutsk Oblast may in the full sense of the world be called Russian-speaking. Judging by the data of the micro-census, at home and at work and in the educational institution the "great and mighty" is predominant. That it is the native language for all Russians to a man goes without saying. But it is also considered the native language by, say, 663 Ukrainians per 1,000 persons of this nationality, 495 Tatars, 728 Belarusians, 903 Jews, 709 Mordvinians.... In short, among the non-Russian population, 42 percent of those polled termed Russian their native language, and 39 percent, the second language, in which they are fluent. Among Russians, only nine persons per 1,000 speak another language fluently!

Some 77.4 percent of Buryats and 50.3 percent of Tatars termed the language of their nationality their native language. And these figures are even higher in the Ust-Orda Buryat Autonomous Okrug, what is more: 85.4 and 64.1 percent respectively. Practically four out of every five Buryats and 55 Tatars out of every 100 are fluent in Russian as a second language here. Russian speech, in the main, therefore, is heard in the family circle, for all that. In any event, only 48 percent of Buryats and 15 percent of Tatars prefer their native language in the home. And at work and in the educational institution and preschool establishment only from 3.4 to 4.4 percent of Buryats speak in the language of their nationality. This is hardly surprising when you learn that by the start of the 1993-1994 school year, there was only one school in which tuition was in Buryat. Buryat was studied as a subject in 108 schools, it is true.

It is a sin for Russian citizens not to know the language of their own country. Without it, you will get nowhere! But assimilating the native language with one's mother's milk would probably not go amiss either.

Murmansk Views Radioactive Waste Disposal

954F1994A Murmansk POLYARNAYA PRAVDA in Russian 14 Mar 95 p 2

[Interview with Doctor of Technical Sciences Vladimir Konukhin, by POLYARNAYA PRAVDA correspondent G. Olishevets; Apatity, date not given; under the "A Topical Interview" rubric: "A Miser Pays Twice: Where Will Radioactive Waste Disposal Site Be Located, After All, and Why Is Scandinavia Afraid of Us?"]

[FBIS Translated Text] **The discussion around the potential location of the radioactive waste [RW] disposal site continues. The issue has not yet been resolved; nevertheless, scientists in the Kola Science Center's Mining Institute have already begun working on the design of the RW disposal site, in which the German company DBE has shown an interest. Our correspondent interviewed Doctor of Technical Sciences V.P. Konukhin, the project's deputy science director.**

[Olishevets] Vladimir Panteleymonovich, the oblast press has already reported that a group of specialists from Germany was working in the Mining Institute. Please talk about this in more detail. Why is a foreign company all of a sudden interested in our problems with radioactive waste disposal?

[Konukhin] Representatives of the DBE company—Dr. Hans Engelmann, Dr. Romein Hugert, and engineer Wolfgang Filbert—have indeed worked here for two weeks. But they represented not so much the German Society for

Nuclear Waste Processing and Disposal (abbreviated as DBE) as to a greater extent the European Commission and its general directorate on environment, nuclear safety, and civilian protection.

Why is the European Commission so interested in radiation safety on the Kola Peninsula? And why did its representatives come here, of all places? The explanation is rather simple. Russia's northwest—I mean Murmansk and Arkhangelsk oblasts—has a concentration of nuclear reactors and their waste that is one of the greatest and most dangerous in the world. The Scandinavian countries, which are joining the European Community, now look in fear at the extremely grave ecological situation in the neighboring region of Russia.

There was also an official petition to the European Commission from the Murmansk and Arkhangelsk Oblast administrations, asking for assistance in developing a project of conversion and disposal of radioactive waste.

The leading role of the Mining Institute in establishing such contacts can be explained too. Currently only our institute has sufficiently serious research, proposals, and publications, clearly describing the potential ways of increasing radiation safety in the region. Whether some like it or not, resolution of this problem will still have to start from the primary science base developed here.

[Olishevets] Why is it the German company DBE, rather than some other, that represents the European Commission?

[Konukhin] Because it has the most modern technologies for radioactive waste disposal in deep geological formations, and for us the only realistic way to solve the problem is the same—placing the RW in a superhard formation at the depth of 400-500m, for instance, in granites and granite-gneisses of the Kola Peninsula.

[Olishevets] Are you saying that DBE participation in the project development will enable us to attract modern Western technologies?

[Konukhin] Undoubtedly so. And this is a very important point. Although I must point out right away that Russia also has some very good development work, which probably will become the basis of the future project. The combination of Western technologies and our new ideas in the end may produce an excellent result.

[Olishevets] What is the tentative schedule of work on the project?

[Konukhin] The year 1995 is the preliminary stage: general evaluation of the waste's structure, the outline of the general scheme of handling it, planning the work on the project development as a whole. In subsequent years—detailed design of all elements of the scheme of handling the RW plus experimental checks, and exploration work on potential sites of underground storage location. It is necessary to understand that preparation of such a project is a rather lengthy process. Haste and carelessness are unacceptable in this. At best, we can get the first segment of the radioactive waste storage (I am talking about medium- to high-activity waste) only by the year 2000. Now we need additionally to deal with the question of temporary sealing of the waste in containers and safely storing it temporarily using the available means, in particular, already finished near-surface underground facilities on the Kola Peninsula.

But I absolutely do not accept the option of burying highly radioactive waste in unstable media, for instance, in permafrost.

[Olishevets] There are currently completely diverging viewpoints on this issue; mainly, two options are being discussed: Novaya Zemlya and the Kola Peninsula.

[Konukhin] It is too early to speak of precise sites—extensive exploration is needed. The Mining Institute's preliminary data indicate, however, that the best place for burying radioactive waste are rock formations on the Barents Sea coast. On the Kola Peninsula.

[Olishevets] What will the project implementation cost? What is at least the estimated cost of this work?

[Konukhin] Building safe underground storage facilities in crystalline rock, and on top of that at great depth, will cost a lot—by preliminary estimates, about $1 billion. Expensive? Let me remind you a saying: A miser pays twice. Yes, it will cost much less to dump the waste in trenches on Novaya Zemlya. Except that the price we will eventually have to pay will be much higher, although it will be somewhat deferred.

[Olishevets] Who can pay for such an expensive project?

[Konukhin] The European Commission already is subsidizing the first stage of development. Except that a qualification is in order: It is subsidizing the DBE work; for Russian participants, the money should be provided by our side.

[Olishevets] Vladimir Panteleymonovich, what impression do you and your colleagues get of the German partners?

[Konukhin] They are excellent specialists, professionals in their business, and this is the main point. They are benevolent people, interesting to socialize with. We hope that the joint work on the project will help us to build a mutual understanding.

[Olishevets] Other than yourself, who participated in the negotiations with the Russian side?

[Konukhin] First of all, Nikolay Nikolayevich Melnikov, the project's science leader and a corresponding member of the Russian Academy of Sciences; also my colleagues Vadim Alekseyevich Naumov, Vladimir Nikolayevich Komlev, Pavel Vasilyevich Amosov, and Sergey Andreyevich Gusak. I think that in the future the circle of participants in the work on this project will be considerably expanded both on our and European Commission's side.

[Olishevets] And the last question. Many of our readers probably would have asked it. Will it not happen that after a modern, well equipped RW storage is built somewhere, for instance, in the Dalniye Zelentsy area, waste from all Russia and even all Europe will start coming there?

[Konukhin] Such a temptation may arise—to make money on it... But I rule out such development of events. It is not the purpose of our work to turn the Kola Peninsula into a radioactive waste dump. We are building a regional storage extremely needed for the safety of our northern lands. And no more than that.

[Olishevets] Thank you, Vladimir Panteleymonovich, and let me wish you success.

Economic Issues

*U.S. Businessmen Urge Continued Ties With Russia

954E0795A Moscow KOMMERSANT-DAILY in Russian 18 Mar 95 p 9

[Article by A. Malyutin: "Uncle Sam's Cabin on the Russian Market"]

[FBIS Translated Text] **Today there is much in Russia that appeals to American firms, yet this is the sixth year they believe they have been discriminated against. Most recently, however, in connection with the cooling off in Russian-American relations and the start of our election race (that is, with the increase in instability), the Americans have become even more concerned. What is going to happen with business there in a year? What should one do now—develop business, go into hibernation, or leave right away? Answers to these questions may be obtained very soon by the representative delegation of the United States business diaspora working in Russia which has undertaken to convince the U.S. Administration not to break with Russia. In a week, five important individuals will be departing Moscow for Washington on that mission—the president and executive director of the American Chamber of Commerce (ATP) and ATP directors from the ABB Combustion, Coca-Cola, and Baker and McKenzie companies.**

According to James Tilli, president of ATP, they will convey the common viewpoint of several hundred major American companies to the U.S. Government: "Yes, work in Russia requires flexibility, but Americans want to be here and want to work here." Mr. Tilli speaks in the name of all "Russian Americans" with such confidence because over the last 20 years, during which time American firms have been a visible presence on our market, the firms have stayed together and never objected to an organizational base for coordinating their actions.

Near the Ambassador

Twenty years ago there were about 100 American diplomats living in Moscow and about 15 busy businessmen and 15 journalists. They were all affiliated with the U.S. Embassy in the USSR because at that time all issues—business as well as journalistic—were political in nature. All of the Americans and Muscovites knew each other personally and invariably greeted one another upon meeting. Business ties with Soviet organizations frequently brought American corporations incredible commercial success by current standards (concrete examples may be found in the article on IBM in Russia in the 4 February issue of KOMMERSANT-DAILY) despite the fact that business contacts between the USSR and the United States at that time had a somewhat surrealistic character. Businessmen from Texas, for instance, could show up at key negotiations wearing jeans and bright sport shirts. The sign "First Department" would be hurriedly replaced with one stating "Archives" in the State Committee for Hydrometeorology prior to the arrival of a delegation from the United States, while managers of American firms saw no obedient personnel among their Russian subordinates assigned by the Ministry of Foreign Affairs but experienced KGB agents.

In the Halls of "Slavyanskaya"

With the start of perestroyka the interests of American companies (the number of which grew steadily in Russia) and of the U.S. Embassy in Russia ceased to coincide and business parted ways with politics. Businessmen created an association in Moscow with the name American Business Club (ABC).

ABC was given all the attributes of an organized structure. Members of the governing council were elected from among the executives of the largest and most famous American firms (Coca-Cola, Conoco, IBM, General Motors, Kodak, and others). It held monthly meetings at "Slavyanskaya-Radisson" which were usually attended by 150-200 people. In accordance with club by-laws, it could be joined by any American in Russia to do business. The most important task of the ABC was to lobby common interests of American firms, and various nuances of Russian customs and tax legislation were discussed actively at the meetings; companies with very different profiles easily found a common language here. Managers who had worked for several years in different American companies indicate that 80 percent of the questions on the agenda of executive meetings at Moscow offices of these firms are similar.

Behind the Scenes at ABC

Naturally ABC officials would not confirm this, but rank and file personnel of several of the firms privately assured a KOMMERSANT-DAILY correspondent that ABC has always carried on a veiled competitive struggle against Japanese companies. Regularly purchasing so-called salary surveys from consulting firms, the Americans have made certain that in their offices Russian citizens would earn more than in Japanese companies. Among themselves the U.S. companies, however, were maintaining an approximate parity, and they were tacitly allowed to pay more perhaps just to the most senior Russian personnel (those, for instance, who got on the management council). In addition, the level of profitability of a concrete firm in the Russian market is also given its due. For example, in the Masterfoods company (a trading subdivision of the famous Mars concern), it is indicated that the wage level of Russian personnel is higher than the market level today and is approaching the level maintained by Masterfoods for its workers in the West.

In that manner the information on "Russian salaries" circulates freely among American businessmen (to this day). The Americans, however, practically never share financial data with each other nor information on their actual or potential clients, thereby differing radically from the Japanese. It is said that there are no secrets among Japanese businesses at all. They feign competition among themselves but in reality are all working purposefully for Japan. The pragmatic Yankees, however, are cosmopolitan. The post of director of the ATP of today is occupied not just by true Americans but also by ethnic Arabs, Swedes. Englishmen, and Russians. As far as we know, however, there are no Japanese there, which, one might believe, is not accidental. Their views on business and personnel management are quite different from those of Americans. A small example: American personnel managers require their Russian recruits to have an impeccable command of the English language, which is logical. The Japanese also require this, but at the same time they do not insist or even recommend the study of Japanese. This, as ironically observed by "Slavyanskaya" regulars, allows the Japanese to have confidential discussions in front of their co-workers simply by switching to their native tongue.

No matter how much the Americans joke about their colleagues from Japan, they themselves are not free of stereotypes either. Robert Danwell, former head of the IBM offices in Russia, told a KOMMERSANT-DAILY correspondent that about three years ago one highly placed IBM executive, while on a visit to Russia, jokingly asked why representatives of a great American corporation are riding around Moscow in Japanese cars. That remark, however, was taken seriously, and in three days the Russian branch of IBM disposed of all of its Japanese cars.

Russian-American Blend

The problem concerning compatibility of American and Russian mentality in business, however, is apparently a much greater one for the ATP in Russia than compatibility with the Japanese. James Tilli states: "We have become accustomed to operating in new countries as follows: first we form a market for our products, then we get the consumer used to them, and only then do we build a plant. In Russia, however, we are called upon to build plants first and think about the market later. We do not quite understand this." It is curious that ATP recently named Masterfoods as the best large American company on the Russian market in 1994 (see KOMMERSANT-DAILY, 7 March) and such success, as indicated by Mr. Tilli, is explained to a great degree by the fact that this firm has managed to conquer the Russian market in the American way. After all, at the beginning, as a result of the activity of Masterfoods, such brands as Snickers and Uncle Ben's became so popular that there are even jokes about them, and large production investments by Mars in Russia came only after that (KOMMERSANT-DAILY wrote repeatedly about that). At the same time, however, Mars is not the largest American investor. A much larger amount has been invested in Russia as of today by those firms whose activities fit more into the scheme which Mr. Tilli called specifically Russian. These include the Conoco Oil Company and the ABB Electrical Concern.

ATP Executive Director Peter Sherrou believes investments by American companies in Russia this year will total about $1 billion and in the best case $1.5 billion. Sherrou believes that Americans would invest several times more if they felt that this would not be hindered by either economic legislation or by the stereotypical perception of American companies which has formed and which leads to "discrimination" against them. Mr. Sherrou stated that a Russian firm is sometimes issued a license for $100 whereas an American company may be readily charged $50,000 for the same thing. According to Sherrou not a single American can understand what need there is "for such a tangled system consisting of 22 taxes" and what "standard wage" is, for exceeding which it is necessary to pay so much. The former, by the way, has led to an excessive increase in the staff of bookkeepers in American firms and to a certain decline in the prestige of working there for Russian citizens because they only get raises (with a rise in the cost of living) no more than once a quarter. The same applies to American personnel—their salaries increase rarely because equivalent positions in each concrete corporation are remunerated about equally regardless of what country the job is in (if a manager is to be paid more in Russia than in the United States, then upon returning home there may be conflicts with colleagues of equal rank.

Perhaps this is not the main one, but still it is one of the major reasons why American firms strive to register their branches in Russia as Russian legal bodies and staff them almost exclusively with Russian citizens, forcing their training. At the same time the former cohesion of the American community is being lost. The "anti-Japanese struggle" is weakening while the Americans themselves, particularly those who do not represent top-name corporations in Russia but are engaged in their own business, try to "blend" into the Russian social medium (to avoid discrimination). Robert Danwell states that he never tells that he is an American if he doesn't have to and continues to perfect his "fluent Russian."

The latest events, however, indicate that American firms still need coordinated action. Peter Sherrou believes the American mass media, illuminating Russian life, tends to exaggerate. According to Sherrou, this could give the U.S. Administration the impression that the Russian market is unpromising. The American companies operating here, however, (despite the "discrimination") are certain that the reverse is true and are now planning to convince their government of that.

Americans in Russia are Interested in Everything

Along with the ATP, which represents a sort of "general department," "branch departments" of American business, which lobby the interests of corresponding branches of U.S. industry, are also attentively studying Russia and operating on the market. The SEMI organization, for instance, "is responsible" for the producers of microcircuits (it is true, at present it is not noticeable because of the lamentable state of Russian semiconductor industry) and TEC NIS is responsible for the telecommunications business. The nuclear safety agency of the U.S. (DNA) [Defense Nuclear Agency] is devoting considerable effort to initiating conversion projects at enterprises of the Russian military industrial complex making promises from the DNA. The "top six" consulting firms are also actively engaged in studying Russia. The salary surveys mentioned in the article, for example, are often ordered by American firms from Ernst and Young and lists of reliable Russian issuers of securities from Dun and Bradstreet.

*Status of Credit Market Reported

954E0793A Moscow KOMMERSANT-DAILY in Russian 22 Mar 95 p 8

[Unattributed article: "Credit Market Nears Turning Point"]

[FBIS Translated Text] **Last week operations with GKO [government short-term bonds] again took over banking activity in parallel sectors of the financial market. In part, accumulation of ruble funds by banks for participation in the next bond auction (at which, by the way, the profitability of GKO once again showed a perceptible decline) led to a strong, albeit a short-lived, animation on the credit market resulting in a surge in prices on "short-term" money.**

GKO Profitability Continues Declining

The peak of activity on the financial market over the past week occurred on Wednesday—the day the regular GKO auction was held. Demand for securities exceeded 3.8 trillion rubles [R] at the auction, which was more than enough for the distribution of the declared emission volume (R3 trillion). The Ministry of Finance, however, apparently did not set as its goal the sale of the entire issue at the auction (in such a situation, which is typical lately, the additional distribution of GKO through secondary trading is carried out by the Central Bank, but in the given case, judging by everything, the Ministry of Finance got by without using its services), preferring a decrease in the profitability of the bonds. As a result, distribution was at par value amounting to R2.43 trillion, while the average profitability of GKO settled at a level of 230 percent annual interest, which is quite comparable to their profitability in secondary trading.

A readily predictable rise in the bond rate and in the volume of operations with them took place in secondary trading that followed the auction. Under the pressure of unsatisfactory demand, securities rose by an average of two to three points while the volume of operations with GKO (more than R900 billion) was the greatest over the last month, if the primary auctions are not taken into consideration. It is interesting that dealers, apparently afraid of overheating the market, began devoting more attention to operations with six-month GKO. At any rate the volume of transactions with these securities evidently has been quite comparable to the volume of operations with individual series of quarterly bonds. In the opinion of KOMMERSANT-DAILY experts, the animation of interest in six-month securities (which, by the way, is natural against the background of a smoothly decreasing inflation) may also be connected with the fact that most of them were distributed in additional slots with a term of circulation of less than three months.

In connection with a stable decline in the profitability of GKO there arises a natural question concerning the extent of such a decline. It is apparent that the principal orientation point in order to answer that question must be the level of inflation. From that viewpoint, taking into account the drop in the rate of price increases, the profitability of GKO has enough reserves for a decrease. It is necessary, however, to take into account the hopes which the monetary authorities are attaching to government securities (primarily the GKO) this year. Therefore it is reasonable to assume that profitability will remain at a level that is just as profitable as the main alternative holdings.

Credit Rates, However, Are So Far Not Changing

Influence of the GKO market has traditionally been felt in parallel financial sectors; the banks organized them to suit the securities auction. The volume of currency operations at the Moscow Interbank Currency Exchange, for instance, peaked specifically on Tuesday; that is a day before the GKO auction. It is apparent that banks accumulated ruble funds necessary for purchase of securities, in part because of the release of currency. Taking into account that on the interbank currency exchange as well, variations in the volume of operations were similar, it is possible to state that the tendency of transferring currency holdings to "bond" rubles is being preserved. The GKOs, it seems, still have no competition among other holdings with regard to the criteria of "profitability plus reliability."

Under these conditions the smoothness of the dollar growth curve (last week it rose by 2.5 percent) is ensured as before by the actions of the Central Bank, which is leveling out the effect of market fluctuations in the relationship between demand and supply. At the same time its activity is felt not just on the exchange but on the interbank market as well. Last week the gap between the exchange rate and direct interbank transaction quotations was minimal, which did not allow the banks to engage in effective arbitrage between these segments of the currency market.

There is also no doubt about the influence of the securities market on conditions on the interbank credit market. The need to accumulate funds for the GKO auction perceptibly activated the credit market (borrowing of funds, along with the sale of currency, is one of the principal sources for supplementing the resource base of banks for active operations on the GKO market). As a result, a significant increase in "short-term" INSTAR rates was noted specifically on Wednesday (it is necessary to keep in mind that current INSTAR rates reflect the situation which formed on the market at the end of the previous day), and on the next day their more or less natural decrease, connected in part with the outflow of funds from the GKO market (where, we will recall, an unsatisfied demand has remained after the auction) to the credit market.

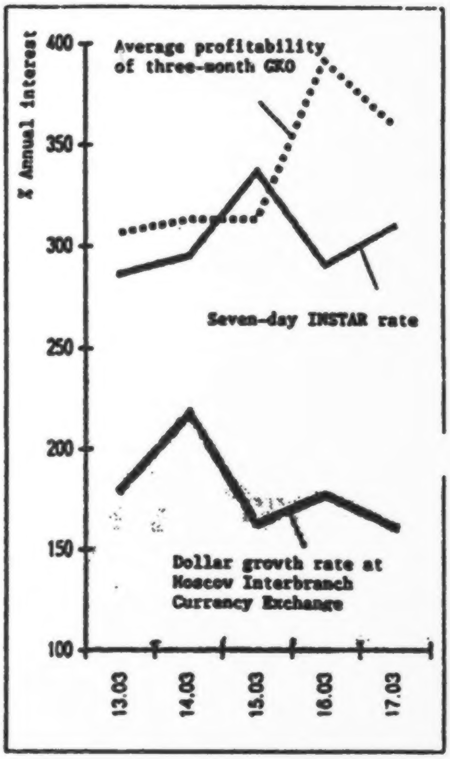
Dealer quotations of interbank credit on the eve of the GKO auction rose quite significantly. For instance, the cost of one to three day credit at the Delovaya Rossiya Bank reached 720 percent per year. Simultaneously the minimum cost of "short-term" money at the same bank went down to 40 percent per year in the course of the week. The spread of rates at the Interbank Financial House was also rather wide. The gap in the cost of one-day credit amounted to 100 points (minimum of 80 percent and a maximum of 180 percent annual interest). The average rate for such credit was 135.5 percent (16 points higher than the level the week before last), while the sales volume came to R54.5 billion. Percentage rates for other categories of credit also rose, even though not as gradually (see table).

At the MBO Orgbank, however, the rates for the most actively traded categories of credit resources showed a steady decrease last week. Even though, taking into account the higher level of the cost of credit at Orgbank, which formed the week before last, its decrease appears more or less natural.

At the same time the certain increase in rates for "short-term" money noted last week is most likely only the consequence of described fluctuations on the money market. The persistently low rates of inflation at the present time have already entered a different phase with the dynamics of interest rates. Therefore there is every reason to expect their decline in the immediate future. Taking into account the effect fluctuations of market conditions have on the cost of "short-term" money, the steady decrease in rates for longer-term credits may signal a turning point in the credit market and justify inflationary anticipation of the bankers.

Cost of Credit Does Not Always Depend on Its Term

The dynamics of prices for credit resources on the regional money market in the course of last week probably proved to be less simple than in the capital. A certain shortage of seven-day credit lines, for example, is observed on the Petersburg Interbranch Financial House, as a result of which their cost rose from 125 percent to 158 percent per year, while the volume of their sale went down by a factor of four to R500 million. Credit for a term of from a week to a month, however, became cheaper going down from 170 percent to 158 percent per year, while its sales volume increased by more than a factor of five, reaching R7.6 billion.



Three-month credit appeared at the Southern Russian Interbranch Financial House: R800 million was sold at 188.1 percent annual interest. The sales volume of credit with a term of one month decreased last week from R1 billion to R500 million, while the cost remained at its former level and amounted to 172.3 percent per year.

*Controversy Over 'Izhmash' Bankruptcy Viewed

954F2011A Moscow IZVESTIYA in Russian 4 Apr 95 p 4

[Article by Boris Bronshteyn, IZVESTIYA: "The Plant Where Kalashnikov's Works Can Be Auctioned Off"]

[FBIS Translated Text] The very large Russian plant Izhmash was declared bankrupt on an Ostankino television news program. This provoked bewilderment and anger among the leadership of Izhmash and mild confusion among its many partners.

So, what happened to the famous Izhmash, which produces Moskvich automobiles, Izh motorcycles, machine tools, guns, and—how can it be expressed more confidentially?—the assault rifles of Mikhail Timofeyevich Kalashnikov? As is known, only the court can declare the enterprise bankrupt. There was no kind of court in this regard, not even a comrades' court. What was there? There was a directive of the Federal Administration on Insolvency (Bankruptcy) Matters, dated 9 February of this year, in which Izhmash is declared insolvent. That is, it is necessary to understand that the safes of the plant are empty and even the mice will not begin to gnaw on its account books for fear of being poisoned with acute "minusitis."

Of course, the verdict is severe, but the directors of Izhmash, in no hurry to shoot themselves with the smoothbore self-discharging Sayg-410 which was recently developed in the course of conversion, took a document out of their files signed by the same official, Sergey Belyayev, former director of the federal bankruptcy administration. In the letter, sent to Izhevsk six months earlier, Mr. Belyayev claimed: "Taking into account the settlement of state indebtedness, Izhmash is a solvent enterprise." What is more, he promised to petition the Government of the Russian Federation to settle the state debt to the enterprise in the shortest possible time. We repeat that six weeks have passed, and the result? The giant Russian industry has not only not received the money it earned on Ministry of Defense orders, but it has been declared insolvent by that very same state.

And this is still not all. The state conceived of the idea of selling the Izhmash shares of stock it owns in investment bids, which amounts to 34.5 percent of Izhmash's authorized capital. And not to sell it in just any old way, but as a single block; that is, to the same person. It is quite clear that this person's hands will not be too calloused.

In the opinion of experts, there are no potential purchasers of these shares of stock in Udmurtia, and Vladimir Umnyashkin, the technical director of Izhmash, fears that they will be accumulated by some questionable organization, even by a mafia organization.

"All the 34.5 percent of the shares of stock will become voting shares after they are sold," says Vladimir Alekseyevich. "But Izhmash workers have only 15 percent of the voting shares. In actual fact, someone will immediately obtain a controlling block."

Academician Umnyashkin calculated that, according to 1992 prices (the property of the plant is estimated specifically according to 1992 prices), $45-50 million will have to be paid for this block. For this relatively small amount of money someone will be able to buy Izhmash, with all of its debts, and become the boss there! In order to make it clear how absurd this sum is, Umnyashkin cites this example: When there was talk about Japanese credit for the modernization of automobile production in Izhevsk, modification of the varnish and paint line was assessed at $68 million. And this is only one line of one of Izhmash's production operations!

What is Izhmash's multi-thousand-strong collective working on at a time when the fate of the plant is being decided in the dense layers of the managerial atmosphere? Perhaps people are hopelessly smoking, drinking, or strolling about with concertinas? No, with the exception of those who are on mandatory leave (machine tool builders, metallurgists, and workers in the auxiliary services), people are working as before. The conveyor is moving, the electric panel lights up showing fulfillment of tasks at a given moment, and new cars are rolling out of the building, which can be characterized by a line from Utesov's song "My Dear Moskvich." Automobile production is the most profitable in Izhmash, although now only 50,000 cars are produced per year, while in 1992 it was 190,000. Output was lowered because of a shortage of turnover resources and difficulties with the supply of parts, especially engines from Ufa. The plant is quietly developing the more modern Orbita (Izh-2126), which will not only be a passenger car, but also a cargo and cargo-passenger vehicle. Last year more than a thousand Orbitas were produced, and it is planned to bring their output to 200,000 by 1997.

Motorcycles are in second place in terms of profitability. Also, fewer of them are being produced than before, and they are being sold mainly abroad—to Iran, Turkey, South Africa... There is nothing you can do, as inhabitants of villages who were at one time the principal purchasers of the simple and reliable "Izh," and are not even in a position now to buy the exhaust pipe.

The output of so-called special products has also been curtailed at Izhmash. Those same assault rifles to which we made a veiled reference enjoy a demand throughout the whole world, but their production now constitutes only 10 percent of what was previously achieved.

"We are not authorized to trade in weapons, and we are not given direct access to the market," complains Vladimir Ymnyashkin.

But in general, as becomes apparent, there is no unprofitable production at Izhmash. There are only absurd economic conditions which the celebrated plant got into not of its own will, and which will not get better if it is auctioned off dirt-cheap. This, as it is expressed here, is clear even to the "Izh."

*Novosibirsk Oblast Official on Economic Crisis in Region

954E0825B Moscow KOMMERSANT-DAILY in Russian 1 Apr 95 p 2

[Article: "Novosibirsk Wants To Receive the Status of 'National Calamity Zone'"]

[FBIS Translated Text] **We will start with the optimistic statement that the coming week may become the formal beginning of the recovery of Novosibirsk Oblast from the crisis. The government working commission, which was in Novosibirsk 2 weeks ago, definitively determined its attitude toward the situation existing in the oblast economy, designating it as a "state of extreme depression." As a result of joint efforts by federal and oblast experts, Russia's Government draft decree "On Measures To Solve Urgent Problems of Stabilization of the Socio-Economic Situation in Novosibirsk Oblast" was prepared. It is expected that the decree will be definitively approved by Russia's Government at the beginning of April. KOMMERSANT-DAILY asked Vasiliy Kiselev, first deputy head of the Novosibirsk Oblast Administration, to comment on the behind-the-scenes aspect of one of the least known directions in government legislation in the context of the economic situation in the oblast.**

Formula of Failure: Machine Building +Agro-Industrial Complex +Science

During the preparation of the draft decree specialists at the oblast administration strove to make maximum use of the postulate that regional problems of Novosibirsk Oblast reflect federal problems in concentrated form. To some degree this move was justified: From the purely methodological point of view, seeking support for any oblast from the federal government, it is important—in addition to quite a distinct substantiation of the need to grant it special privileges or additional financial resources—to attract attention with a vivid slogan. In some respect this resembles advertising practice when the producer, introducing his goods into the market, uses the method of an advertising slogan retained in people's memory.

Of course, principal work is carried out in the field of macroeconomics. It is impossible to engage in the development of the program for recovery from the crisis, not taking the general structure of the region's economy into consideration. Sixty percent of all the enterprises of Novosibirsk Oblast belong to the military-industrial complex. All the rest is basically the agro-industrial complex and science. In connection with this, the oblast administration believes, the lowering of macroeconomic indicators in Novosibirsk is based on high transport rates and a system of formation of prices of energy sources, which are the "headache" of the federal government. The structure of the oblast economy determines its special sensitivity to any change in the economic policy of the federal government. Federal bodies of power continue to remain the major owner of shares of all the oblast's more or less important enterprises. The orientation of the region's economy toward machine building predetermined the fact that, in contrast to resource extracting neighboring Siberian regions, Novosibirsk Oblast, in which the raw-material component of industry makes up only 2 percent, could not get the vast advantage, which Gaydar's price liberalization gave to producers of raw materials.

And so, we will reproduce the logic of arguments of the oblast leadership, which set for itself the goal of achieving a special status. Unofficially, it can be defined as the status of a "national calamity region."

To Freedom With a Clean Pocket

In reality the economic situation in the Novosibirsk Region resembles a huge town-building enterprise producing products, which either no one needs, or for which the general customer has no money. The state cut financing for the military-industrial complex to one-fifth or one-seventh, as before, strictly controlling prices of military products. In connection with this wages of enterprise workers executing a defense order average 120,000 rubles per month. Enterprise directors take advantage of every opportunity to repeat for the 100th time that in a situation, when 80 percent of the profit goes into the federal budget, from the remaining 20 percent enterprises are unable to pay wages to workers and to maintain projects for social, cultural, and everyday services. The worst of it is that the state is unable to fully count on products under the defense order.

Accepting this situation as a reality, the oblast leadership believes that enterprises not subject to conversion into joint-stock enterprises should become public—in other words, be placed under state ownership 100-percent. Such a status presupposes a special regime of the functioning of such enterprises: In particular, the share of the federal order should be at the level of 80 percent. In the oblast at present there are 18 enterprises—contenders for the title of public enterprises, the names of which, however, the administration does not divulge.

Vasiliy Kiselev believes that Novosibirsk enterprises of the military-industrial complex simply cannot wait any longer. On his part this is not merely a dramatic phrase. In the city 120,000 out of 300,000 workers in the stagnating industry are employed in the military-industrial complex that is becoming degraded. At the end of last fall 148,000 people did not work. At the same time, the main problem from the standpoint of the policy of employment does not even lie in the fact that in the oblast the developing alternative sector is unable to absorb the released manpower. This signifies a completely obvious tendency toward the growth of the absolute number of the unemployed, the unconditional consequence of which political destabilization is. The Novosibirsk Administration believes that, if the state does not want that 120,000 people, having become unemployed, "live off it" tomorrow, it must definitively decide whether it will finance the military-industrial complex. If not (the echo of the polemics of the late 1980's and early 1990's is heard here), let it set enterprises "free." Then local authorities will think about how to employ them.

This statement by Vasiliy Kiselev can also be interpreted as an attempt by regional authorities to be able to more actively participate in the privatization of enterprises on their territory, which, owing to their sectorial specific nature, almost fully fall into the sphere of authority of federal bodies of sectorial management and privatization.

Peasants Prefer Imported Combines, Consumers—Imported Food

The agro-industrial complex of Novosibirsk Oblast, which in the production volume previously formed part of dozen of the largest complexes in Russia, during the post-reform years was in an extremely deplorable state. The scale of the decline and the proportion in the aggregate production volume of the country's agro-industrial complex lets the local administration place its crisis into the category of federal problems. The essence of the crisis is simple: The existing ratio of prices does not ensure simple reproduction. Sixty percent of the oblast farms ended 1994 with losses. Such a situation is totally unfamiliar to the oblast leadership—unprofitable farms simply did not exist previously. The growing competition for cheaper imported food leads to the fact that with the high demand for agricultural products the consumption of national production goods approximates zero.

The state of agricultural machine building is even more deplorable. Russia's minimum need amounts to 13,000 combines annually and its optimum need, to 24,000. As the statistics of the Ministry of Agriculture and Food indicates, only 12 combines were produced in the country in January-February. In 1994 Novosibirsk Oblast broke the record, purchasing 600 combines with an annual need for 1,300. Of course, the bulk of the equipment is of foreign production. It is significant that in January of this year only one combine came off the assembly line of Rostselmash, at which, as before, 34,000 people work. It is not ruled out that, if more of them had been produced, they could not have fundamentally changed the correlations of imported and Russian equipment on the oblast's farms. At the much lower quality the price of Rostov combines approximates the price of European and American analogs.

Is the Government Ready to Reduce 25-fold the Scientific Base? It Is!

The distorted structure of the Soviet economy, which formed the foundation for the military confrontation with the entire civilized world, was also reflected in the structure of sectorial and academic science. Oriented toward the needs of the military-industrial complex and, in a broader sense, of machine building, as well as toward the servicing of party ideology, most of Russian science showed its bankruptcy under conditions of the market economy, decline in production, and restructuring. The cut in budget financing inevitable under these conditions has shaken to the core the scientific and educational complex of Novosibirsk Oblast, in which departments of three academies of sciences are concentrated. The vast number of academic institutes has transformed the city into Russia's second intellectual center after Moscow. However, as the practice of recent years has shown, the country's intellectual potential has turned out to be too exaggerated.

Nevertheless, from the point of view of the local administration all this does not eliminate the problem of the existence of thousands of specialists in basic science, who, in fact, are deprived of financing along the line of the federal budget. Here the position of the oblast administration is pragmatic and is dictated primarily by financial logic: The state as personified by the federal government, finally, must decide whether the country needs basic science in such volumes or not. If not, then the scientific base must be reduced 25-fold. In fact, the course of the budget battles in the State Duma indicates that the state has followed this path.

From the region's point of view, the problem of academic science looks as follows: In 1994 the city's higher educational institutions turned out almost 34,000 specialists. Only 93 of them found work in their field. Nevertheless, about 6.5 billion rubles are annually spent from the local budget on the financing of science. Despite the lack of statistics on how many, out of the fewer than 100 graduates, left the oblast, in the dialogue with the center the Novosibirsk leadership uses the still effective argument—specialists for the entire country are being trained in the city's scientific centers.

Poor Financial State Can Be the Consequence of Accountants' Good Work

During a comparison of the state of various economic sectors in the oblast the specific nature of its sectorial structure becomes more vivid. With a numerical predominance of nonstate enterprises in Novosibirsk (more than 220) enterprises under federal ownership produce 67 percent of the value of the oblast's products. The latter also determines the specific nature of the investment process—almost two-thirds of the investments are made with the enterprises' own funds. Local authorities point out to the federal government that the oblast's characteristic features at this stage make the formation of profit, which is the main source of financing of enterprise budgets, virtually impossible. The reason lies in the price control at enterprises of the military-industrial complex persisting until recently.

The following is another strong argument from the standpoint of the local administration: The comparative analysis of the profit of Russia's several regions close for comparison, which demonstrates the disadvantageous situation of Novosibirsk Oblast. For example, in Omsk Oblast, where the population is smaller by one-fourth, the profit obtained in industry was 18 percent higher than in neighboring Novosibirsk. Nizhegorod Oblast received 2.6-fold more profit and Krasnoyarsk Kray, 4-fold. Even Ulyanovsk Oblast, which is often called the "communist enclave," with a population one-third of that in Novosibirsk Oblast, received 5 percent more gross profit. Thus, the Novosibirsk Administration sums up, the rates of profit growth in the oblast are one-third lower than, on the average, in the country, 2.5-fold lower than in Omsk Oblast, 1.8-fold lower than indicators in Ulyanovsk Oblast, 1.9-fold lower than in Nizhegorod Oblast, and 3.2-fold lower than Krasnoyarsk indicators.

Neither government experts nor, especially, specialists at the oblast administration discussed the extent to which this tendency reflects the oblast's specific nature as Siberia's intellectual center, which determines the higher skills of Novosibirsk accountants, who get their enterprises out of the profit tax more successfully than their neighbors.

Injustice—This Is Not Good and Not Bad. This Is Natural

The oblast's low budget provision, even though it is one of 22 territories that are donors of the federal budget, is quite a strong argument of the oblast leadership. More than one-third of the tax revenues go into the federal budget. At the same time, in the scale of budget financing the oblast holds only the 50th place. A "paradox!"—the local administration exclaims and, in confirmation, presents a comparison of per-capita revenues and expenditures in various oblasts, which, obviously, is not in favor of Novosibirsk.

A significant excess of expenditures over revenues is a characteristic feature of neighboring Siberian regions. However, even here the oblast administration finds arguments in favor of the thesis on the injustice of its economic situation. The absolutely subsidized republic of Gornyy Altay serves as an example. According to Vasiliy Kiselev, in profit formation in its territory it occupies the last place in Russia, whereas the expenditure part of its budget exceeds the indicators of many donor regions.

In fact, federal government experts do not dispute the existence of "injustice." The question is that most of them consider it an integral attribute of liberalization of the economy.

Russian Folklore Became the Decisive Factor

Such a high concentration of problems, each of which represents a regional replica of the general federal problem, formed the basis for arguments used by the Novosibirsk leadership during the lobbying for the special draft decree of Russia's Government on measures to stabilize the oblast's socioeconomic situation; it must be admitted, lobbying successful at the initial stage. However, after the government agreed with the "special status" of Novosibirsk Oblast the draft decree prepared in October 1994 was rejected by all ministries. What can be classified with the specific nature of decision making in Russia was manifested there and then. The turning point occurred at the conference on the discussion of the 1995 budget held in Novosibirsk on 2 December. An active use by the Novosibirsk governor of popular idiomatic expressions in his speech was able to convince federal ministers. Only on 13 February of this year was it possible to "push out" the established working commission from Moscow to Novosibirsk. As a result of joint work with specialists at the oblast administration, the draft decree consisting of 28 points was born.

It is not the task of KOMMERSANT-DAILY to dwell on it in detail, because it will become a document worthy of attention only after it is signed by the prime minister. Being almost at the finish of its fight for the status of a disastrous region, nevertheless, the oblast leadership is not fully confident of its final victory. Vasiliy Kiselev believes that the adoption of such a decision requires a political will, which on the eve of elections traditionally is scarce.

*Impact of New Regulations on Foreign Trade Eyed

*954E0822A Moscow DELOVOY MIR in Russian
24 Mar 95 p 7*

[Article by R. Gertsev: "Edicts Were Issued; What Is Next"]

[FBIS Translated Text] **Russian presidential edicts issued in March on repeal of preferential customs rates in the foreign economic sphere in Russia and on the main principles of conducting foreign economic operations in Russia caused not only a significant response in Russia and beyond its borders but also quite a few questions. There are some obvious issues. For example, it is understandable that the first edict repeals specific points of many earlier edicts of the head of state which granted individual preferential terms in foreign economic activity. The second one establishes the impermissibility of any non-tariff quantitative restrictions in exports and imports with the exception of those cases when the matter concerns fulfilling Russia's international obligations, and, as Aleksandr Lifshits, assistant to the president of the Russian Federation, stated, "on the basis of some other factors as well."**

Thus what is being eliminated is understood, but what remains? How will the government continue to regulate foreign economic activity? After all, it is quite clear that it is simply not safe—from the standpoint of protecting national interests—to just "farm out" this sphere to the individual exporter-importer under conditions created by market relations that have not formed yet, when inferior quality goods frequently appear on our markets while foreign markets are not quick to open up to Russian products. Also, what are those "some other factors?" Exceptions for the chosen, again?

The Ministry of Foreign Economic Relations agreed to respond to these questions through Igor Mitrofanov, chief of the Main Administration of Export-Import Operations, and Aleksey Ryazantsev and Lev Goryunov, deputy chiefs of the Main Tariff Administration, having gathered correspondents of ITAR-TASS and INTERFAX agencies and the SEGODNYA and DELOVOY MIR newspapers at the Ministry of Foreign Economic Relations.

Repeal of non-tariff method of regulating foreign economic activity is not a new issue, I. Mitrofanov stressed in a conversation with the journalists. During 1993-1994 the ministry, which systematically stood for liberalization in the sphere of foreign trade and for a more comprehensive utilization of economic levers, gradually cut back the list of strategically important raw material goods. The first goods to be eliminated from that list were those whose domestic price approached the world price, i.e. the need for administrative regulation no longer existed.

It would hardly be possible to agree with the view expressed in the press that presidential edicts were most likely dictated not by "evolving" circumstances but by a desire to demonstrate loyalty to the IMF in anticipation of credits. The ministry has always occupied that position, and at the start of the year it proposed a stage by stage repeal of the institution of special exporters; negotiations with the IMF merely served as a catalyst in that process.

Catastrophe Expected

Foreign economic activity has a certain inertia, therefore repeal of the institution of special exporters as of 25 March does not mean that on 26 March there will be 140 oil exporters instead of 14. It is necessary to have funds to purchase the product along with established ties with foreign importers who tend to deal with customary, tested partners.

At the same time apprehensions regarding possible violations are quite reasonable, the ministry believes. It is specifically for this reason that presidential edict 245 proposed that the Central Bank and the government work out a unified order of foreign currency and foreign trade accounting prior to 1 July. That is a difficult matter requiring coordination of many elements with various ministries and agencies as well as international organizations. In the opinion of executives of the Ministry of Foreign Economic Relations, it is highly unlikely that anything catastrophic could happen in the period of time between 25 March and 1 July, which was selected for working out the control system.

As a result of the entry of "novices" into the market, it is possible to expect some insignificant price fluctuations mainly with regard to oil since it is the most foreign currency consuming product. It is necessary, however, to consider that the export of oil is limited by shipping possibilities. In addition, foreign partners are already prepared to work with traditional suppliers and have a somewhat guarded attitude toward new ones. Considering the fact that the domestic price for oil has far from evened out compared to the world price, regulation of oil delivery will continue but through non-tariff means: by introducing excise taxes on the basis of agreements with the IMF and also export customs duties.

In that manner it becomes clear that presidential edicts do not mean the total liquidation of non-tariff measures of regulation. The list of goods—of which the export from the country is limited—has been preserved but was considerably curtailed. As explained to the journalists at the Ministry of Foreign Economic Relations, that includes oil, certain petroleum products, and the most foreign currency intensive non-ferrous metals (nickel, copper, zinc), wheat, and alcohol. State control is preserved over export of armaments, nuclear materials, and missile technology (that is, everything that is covered by international obligations of Russia). Control is also preserved over the export of uncut diamonds as well as gold. Licensing continues for goods on which preservation of nature depends (larvae, live roe), as well as public health and objects which are of cultural or historical value, etc. Such a system operates in all countries and no one questions that.

In addition, there is still quota-setting and licensing of those goods that come under international obligations of another type—introduced not by Russia but against it (textiles, steel, ammonium nitrate). In a number of cases this is connected with antidumping measures initiated against Russian goods, and often we ourselves have to consciously introduce quotas in order to forestall antidumping procedures.

In all other (non-exceptional) cases the government refrains from participating in concrete export operations and appears to transfer its functions "under the care of" branch unions of exporters. More than 10 such associations have already been formed with the most active participation of the Ministry of Foreign Economic Relations, and they are operating very successfully on world markets. Some of them—the Union of Lumber Exporters, for instance—certify their participants; that is they are responsible to the foreign importers with their own reputation for the Russian trading partner.

The ministry regards work with unions of exporters as a very important part of their activity. It is no secret that both quantitative restrictions and antidumping duties, as well as other tariff and non-tariff regulatory measures, are being introduced on foreign markets against Russian goods. Emergence on a market of unskilled—or even worse of dishonest—exporters may promote an increase in the number of such procedures, which makes it necessary for the exporters themselves to monitor that situation. After all the introduction of sanctions against unknown firms also automatically applies to traditional suppliers as well. In that light unions of exporters might serve as a sort of filter preventing the emergence of dishonest traders on foreign markets.

Priority—Interests of Domestic Producers

What is going to happen with import tariffs? Answering that question experts of the Ministry of Foreign Economic Relations explained that the overall tendency is as follows: the average level of tariffs will be going down, but domestic producers will feel comfortable. Russia has applied for admission to GATT/VTO [no expansion given] and consequently assumed responsibilities for lowering some types of import tariffs by certain deadlines and bringing domestic legislation in line with requirements of that international organization. In any case, the interests of Russian producers assume priority just as the task of protecting the domestic market.

As it was reported to the journalists, preparation of the first document on tariffs is just now being completed. It is assumed that the average rate remains at about the same level: 15 percent. At the same time some types of goods will be imported duty-free, while the maximum rate will be 30 percent (that does not pertain to luxury items or goods subject to excise duty, the rates for which may reach 60 or even 100 percent.)

It is possible that the new tariffs may not appeal to everyone, A. Ryazantsev stated, but as the saying goes, the tax jacket never fits. What is most important is to adhere strictly to the tariffs that were worked out and after a certain period of time correct them in some way based on experience. It is necessary to consider the long-term interests of producers. Let us assume that today some company has invested, let us assume, 100 million ECU in the Russian economy expecting certain tariffs, but tomorrow it is invited to operate under somewhat different conditions.

As far as preferential terms are concerned, they have been established in the form of import-export duty exemptions only for certain government mechanisms such as the Army, intelligence services, and the Ministry of Internal Affairs, L. Goryunov explained. Despite the publication of the presidential decrees, however, certain foreign trade organizations are forwarding requests to the government seeking preferential terms for imports. The Ministry of Foreign Economic Relations explains to such "seekers" that there will no longer be any preferential terms in pure form. It is another matter when foreign companies invest considerable capital in a Russian enterprise and receive a decrease in customs tariffs which they have to pay. At the ministry it is believed that these are not preferential terms but stimulation of investments.

*Future of Commodities, Raw Materials Exchange Debated

954E0803A Moscow DELOVOY MIR in Russian No 11, 20-26 Mar 95 p 5

[Interview with A. Vlasov, president of the Russian Commodities, Raw Materials Exchange, by V. Mikhnevich; place and date not given: "Commodities, Raw Materials Exchange Becomes Futures Stock Exchange"]

[FBIS Translated Text] **Whether the Russian Commodities, Raw Materials Exchange will change its name is not clear even to its president Aleksey Vlasov. There is no doubt, however, that it has changed its profile radically. In the overall annual turnover, which last year reached 1.65 trillion rubles [R], the share of the commodities sector declined to 3 percent. At the same time there was a sharp increase in the volume of transactions in two other sectors—the stock exchange (from R209 billion to R1.477 trillion, i.e. by a factor of more than seven) and the futures exchange (from R6.5 billion to R123.2 billion, i.e. by a factor of approximately 19). Last year stock operations made up 90 percent of the overall turnover, while the futures market in American dollars accounted for another seven percent. By autumn of last year it became clear that the RTSB [Commodities, Raw Materials Exchange] had reached the borderline beyond which there were going to have to be qualitative changes in trading techniques on the exchange. Its president, Aleksey Vlasov, who graciously agreed to answer some questions posed by our correspondent, discusses prospects of the exchange in the year to come. We yield the floor to Aleksey Vlasov**

[Mikhnevich] Aleksey Feliksovich, I recall the very heated discussions that took place at the RTSB regarding its future. Unable to defend his viewpoint before the brokers, President Konstantin Borovoy was compelled to leave his post. You took over the new team. Is the post of president burdensome to you?

[Vlasov] To be frank, it is not an easy burden. The current RTSB leadership is just as frank with the brokers as Konstantin Borovoy was in his time. On 29 April at the meeting of brokers we will deliver a report on what has been accomplished. This year, of course, was very difficult, but quite a bit has been done. I believe that the new concept of the exchange which has been proposed to the brokers has already justified itself in 1994 and will make it possible to reach a new qualitative level in 1995.

[Mikhnevich] In March you will complete the program for reconstruction of the trading floor and will shift to electronic trading. It appears, however, that equipping the floor with computers is hardly an end in itself. What results are you anticipating?

[Vlasov] Computerization of trading, naturally, is not an end in itself. It is merely a tool—true, a very expensive one—which is a component part of the RTSB-95 concept. The essence of that concept is development of the stock and futures sectors.

This development, however, is at a completely different level. To answer your question briefly, we see results as the creation of a trading floor that is perfect in every way, which will become the basis of a highly liquid stock exchange. The conveniences for which our brokerage firms will have to pay up to $20,000 per year constitute a fully comprehensive service which will allow them to earn considerable amounts of money and, what is most important, to save time and effort inasmuch as working on the new trading floor brokers will be able to fully concentrate on the realization of their strategy. Everything else will be taken care of by the exchange.

[Mikhnevich] The new local computer network takes into account all the nuances of market technology?

[Vlasov] All or almost all of them. Here it is very important that in counting on the development of the stock and futures sectors, we had to initiate not only computerization but also substantive modernization of the exchange infrastructure which made it possible to make the exchange truly advantageous for the brokers. For example in operations with securities—shares of privatized enterprises, GKO [government short-term bonds], notes, and the like—the exchange assumes the role of a guarantor of the fulfillment of transactions; that is, it applies to the exchange market those mechanisms which function in futures trading. The RTSB will become the first exchange which will provide guarantees in the purchase and sale of securities.

The plan for perfecting the infrastructure envisages creating an exchange depository, or more precisely, a network of depositories linked by contractual relations with the exchange. That will permit the creation of account depots which will contain the shares; That is, the goods will always be in existence. At the same time the exchange depository is designated only for servicing brokers in the process of trading. Transition to the network of depositories working with the exchange will make it possible for the brokers and their clients to store their shares not necessarily at the exchange. Upon completing a transaction, the shares can be swiftly transferred to the RTSB depository. Some 11 agreements have already been signed with other depositories, one-third of whom are not in Moscow. In Moscow we are actively working with the depository of Bank Tserikh and are jointly working out the techniques of document turnover which will be offered to other depositories.

[Mikhnevich] Any depository can conclude an agreement with the exchange?

[Vlasov] Only if it satisfies certain requirements. Selection is made by a commission created by the depositories themselves. Certain documents are submitted to it or members of the commission travel to the local level and conduct inspections to determine how the depository is working. The decision on suitability of any specific depository is made by the commission.

On the other hand, in order to ensure guaranteed fulfillment of the transaction brokers will have to accumulate certain monetary funds in an account of the exchange specifically opened for that purpose. We worked out a technique of depositing monetary funds as security for transactions being carried out, and it was realized at the level of mathematical programs which in the final analysis will allow the exchange to ensure that money for sold shares is deposited in the seller's account by a predetermined deadline. Presently testing of the computer network is being carried out.

[Mikhnevich] What will the work place of a broker look like?

[Vlasov] It is a so-called ARM [automated work station]. It includes a 486 computer, two telephones (the number of lines may be increased to six), and a safe. It is interesting that working conditions provided by the computer make it possible for the broker to work using his own program for analyzing the trading situation on the exchange and making decisions. At the same time the information comes to the computer only from the network. What the broker does at his work station is private since the path into the network is automatically blocked in individual operation. Some 110 workstations have been equipped on the RTSB trading floor. Part of them will be leased by brokers and the other part by banks.

[Mikhnevich] Did you take additional measures to ensure uninterrupted communications with distant locations?

[Vlasov] We concluded a separate contract with the Artel Company which guarantees uninterrupted communications—within the city, between cities, and internationally. That will resolve the problem of data exchange, voice communications, facsimile communications, etc.

[Mikhnevich] What principle will be used to select securities for trading? After all, the handling capacity of the exchange is not unlimited.

[Vlasov] An important role here will be delegated to exchange listing. It will be made separately for each category of securities: for the shares of banks, private enterprises, and investment funds. Requirements for listing have now been made much more rigid. The selection of documents to be submitted for listing consists of 15 items, including the annual balance sheet and balance sheets for previous years, information on profits and dividends paid, and information on where the money will go if the matter concerns an additional issuance. All of the submitted documentation is analyzed by an independent auditing firm which submits its conclusion regarding the listing to the listing commission. After that the commission makes a decision whether the given securities are to be included in the listing.

A new procedure is also being conducted at the exchange—the so-called maintenance of the listing. Once every six months each company, enterprise, or bank has to submit current bookkeeping documentation to the auditing firm. Depending on the dynamics of the indexes, the auditing firm issues its recommendations while the listing commission determines whether the given firm is to be allowed to remain in the listing or not.

In addition to that the degrees of reliability of the securities within the listing system are determined on the basis of three categories of reliability: A, B, and C.

"A" is the highest category in which a bank may find itself, having operated on the financial market for not less than five years, or an investment fund which operated for not less than three years. If the dynamics of the firm indexes deteriorate, its securities are threatened with reclassification into a lower category or, in the end, with a deletion, the procedure for which has also been worked out. At the same time it is characteristic that if the shares are eliminated from the listing, all other securities of the given issuer, such as notes, are also automatically withdrawn from the listing. By the way, a separate listing has been established for notes.

[Mikhnevich] Do you consider operations with notes promising?

[Vlasov] Naturally, if they have the appropriate backup. Our experience in work with railway notes which circulate in the RTSB indicates that there is interest in them. These notes with par value of from R20 million to R200 million are sold with a discount of approximately 20 percent, which makes it possible for their buyers to save on payments for railroad transportation inasmuch as railroad notes can be used as a means to settle accounts. The scheme here is quite curious. The railroads are deeply in debt to the energy suppliers. Part of their indebtedness was converted into promissory notes by them. The energy suppliers delegated the function of converting the indebtedness into money to the acceptance house RAO YeEC, which offers these notes at a discount. At the same time the discount in this case does not play an important role for the seller. What is much more important here is to accelerate the turnover of funds. In that manner, by including those notes in trading, the exchange thereby promotes resolution of the crisis of nonpayments.

[Mikhnevich] Will securities that have not gone through the listing procedure or those that have been withdrawn be available on the exchange?

[Vlasov] Everything will depend on the load carried by the exchange. In principle I see no reason to limit the circulation of unlisted securities, but the very fact that they are listed not only enhances their image, it inevitably affects their exchange value.

[Mikhnevich] What changes are anticipated in the futures sector?

[Vlasov] As you know currency futures are selling in our case and selling rather well. We have reached a daily turnover of $1.7 million. If there are no abrupt changes in the currency policy of the Central Bank, they will continue developing. Two other forms are already appearing: trading in gold and sugar; later, there will be trading in petroleum futures as well.

Of greatest interest here, of course, are the gold futures. By the way, they are the closest to realization. We conducted extensive work with banks and elaborated a technique jointly with the Rossiyskiy Kredit Bank which makes possible trading in futures with payment of the tax on gold only once at the time the metal is delivered, which is guaranteed by Rossiyskiy Kredit.

The so-called gold clearing house entry convention is being signed at the present time.

[Mikhnevich] Are banks showing an interest in gold futures or is it necessary to convince them?

[Vlasov] On the whole they do show an interest and they include quite a few large ones. The convention has already been signed by such banks as the indicated Rossiyskiy Kredit, as well as by Stolichnyy, ONEK-SIMBANK, the International Industrial Bank, and by a number of others. A total of nine banks have already signed the convention, and after the 10th one is found, we will consider the convention working. I believe that as early as in April we will be able to announce the start of trading. The price of gold will be set either by quotas on the London Exchange or in accordance with Goskomdragmet [State Committee on Precious Metals and Precious Stones] prices. This matter will be resolved by the banks themselves.

[Mikhnevich] How do you evaluate the prospects of gold futures?

[Vlasov] In that regard the exchange is sufficiently optimistic. We are assuming that banks, which will join the exchange, will also show an interest in currency futures since they will have to make security deposits in any case. The game in gold and currency futures offers the possibility of obtaining earnings from a so-called counter position. If, for example, it is expected that the price of gold will drop while that of the dollar will rise, it is possible to sell gold and purchase dollars, pocketing the difference. The negotiations we are currently conducting with banks indicate that the banks are interested in that.

[Mikhnevich] Will techniques used in trading gold futures be different?

[Vlasov] In general terms everything will appear as follows. So-called metal accounts are opened in the Rossiyskiy Kredit Bank for the participants. Delivery of a futures contract will mean nothing other than a book entry in the metals account. If one of the banks wishes to take possession of the gold in its account, it can do so at any time. Should other gold depositors desire to conclude a contract with Rossiyskiy Kredit, the gold may be delivered from their repositories. Practice, however, indicates that moving gold rarely takes place because the tax is too high.

[Mikhnevich] What will be the term of futures contracts?

[Vlasov] The exchange proposes starting with three-month contracts. Should the participants prefer, however, it will be possible to extend the term of delivery to eight months.

[Mikhnevich] What can be said about sugar futures?

[Vlasov] Things are progressing here as well. We have already worked out all of the necessary documents, and six firms signed the entry convention. It must be signed by four more firms. We believe that 10 is the necessary minimum for that type of trading to work.

[Mikhnevich] That was the second time you have mentioned the entry convention. What is it?

[Vlasov] The entry convention is a certain code of mutual relations between participants in futures trading. It includes banks participating in the trading, the authorized bank, the exchange.

[Mikhnevich] Is the exchange planning on joining the "Gold Club"?

[Vlasov] No, we are not planning on joining that club for now because the entry fee is very high there, but the point is not even the amount of that fee but the purpose for which this money will be used. The club does not wish to reveal that and we do not want to play "in the dark." Interaction with state structures is another matter.

As president of the exchange I am aware that the gold market is so specific that it must invariably be controlled by the government. We may give representatives of Goskomdragmet or another organization a place in the clearing house. It will be necessary to conduct a coordinated policy anyway in order to avoid a repetition of "Black Tuesday."

[Mikhnevich] How do you view the idea of creating a gold exchange as proposed by the "Gold Club"?

[Vlasov] I am not fully convinced that such an exchange has to be created anew. If we start from zero it may turn out that such an exchange will never start working; elaboration of exchange techniques is not a simple matter at all. There are the MMVB [Moscow Interbank Currency Exchange] and the RTSB, and other trading floors may also appear. This is a base. Its utilization is more realistic than work from the start. That, however, is something that is up to the "Gold Club."

[Mikhnevich] You mentioned petroleum product futures. One recalls that Hermes attempted to organize something like that, but it did not work out and seems to have completely faded away.

[Vlasov] Hermes traded not futures but forward contracts and in addition to that bore no responsibility for them placing the risk squarely on the shoulders of the buyers. Our oil product futures will be organized exactly like the currency futures and will be backed by firm guarantees which were already mentioned.

[Mikhnevich] One more final question before I thank you for the interview. If foreign firms express interest in operations with Russian securities, what can they expect? Foreign investors so far have been cautious with direct investments, but their interest in portfolio investments appears to have survived.

[Vlasov] There is currently talk about granting foreign firms the possibility of buying and selling Russian securities. So far there is no mention of foreign securities, even though in principle that is possible as well. Numerous questions may arise in this area, but we are prepared to grant foreign investors two possibilities. The first one is re-registration of shares immediately after completion of the transaction. The second one is the guarantee of both performance of the transaction itself and the routine work that is involved. I have in mind communications with the West, possibility of transmitting data by modem, and the like. It is another matter if the investor should desire to work using a remote terminal; then he will have to organize communication, let us say, between Vienna, London, and the RTSB, on his own. Accordingly, he will also have to make payment for communications services not to us or our agents but to the western telephone companies.

*Edict on Kabardino-Balkariya Free Economic Zone

954E0796B Moscow ROSSIYSKAYA GAZETA in Russian 29 Mar 95 p 13

["Edict of the President on Kabardino-Balkariya Free Economic Zone"]

[FBIS Translated Text] For the purpose of carrying out additional measures of state support promoting socioeconomic development of the Kabardino-Balkariya Republic, I hereby decree as follows:

1. Endorse the proposal by V. M. Kokov, president of the Kabardino-Balkariya Republic, which received the support of the Russian Government, concerning the formation of the Kabardino-Balkariya Free Economic Zone on the territory of the Kabardino-Balkariya Republic.

2. The Cabinet of Ministers of the Kabardino-Balkariya Republic is to prepare and submit to the Russian Government, within three months, a draft statute on the Kabardino-Balkariya Free Economic Zone together with a draft program for its development.

3. This edict is to go into effect at the time of its signing.

[Signed] Russian President B. Yeltsin
Moscow, the Kremlin
22 March 1995, No. 300

*Fedorov on Need for Pension Reform

954F2010A Moscow IZVESTIYA in Russian 4 Apr 95 p 2

[Article by Boris Fedorov, State Duma deputy: "Pension Reform"]

[FBIS Translated Text] No one likes our pension system. Some have a miserable standard of living. Others will have the same level when they retire. This system is a disgrace to Russia. It is deplorable that nothing is being done to correct the situation. We must think about pensions today in order not to be worse off later. A well-provided-for old age is an obligation of the state.

Therefore, comprehensive pension reform is necessary and must resolve the following problems:

—bringing pensions up to 60-70 percent of the last wage level;

—protecting pensions from inflation;

—linking pensions with labor input and length of service.

First. Where will the money come from? It is clear that the money for pensions, in fact, is given by the people themselves, not by the state. Chernomyrdin and Yeltsin have nothing to do with it—give us back what is ours, what we earned. Our country has one of the highest norms of contributions to a pension fund—28 percent. Enterprises consider it a tax. But there is not enough money for pensions. Consequently the state has not been able to establish an effective pension system that is capable of working under market conditions.

Second. Why is there no money in the Pension Fund for the protection of pensions from inflation? The main reason is that there is a tax here on enterprises for exceeding the wage labor fund above a ludicrous minimum. Accordingly, everyone conceals wages. The state knows how, but remains silent. The consequence being that not only is there no money to pay pensions, but also an income tax is not being collected, and the local organs of authority for whom it has been earmarked, and on whom almost the entire social program has been dumped, are being weakened.

Third. The Pension Fund should not simply be a pipeline for the payment of pensions of the type enterprise-budget-pensioner. Ideally, an account should be maintained for each citizen, including how much money he personally and his enterprise contributed to the Pension Fund. In exactly the same way the pension should correspond to the labor contribution and fully cover loss of value through inflation. But we have put those who worked and those who frittered away their time on the same level.

Fourth. Pension deductions should be taken directly from a person's wage and, if an enterprise supplements it, this should not be taxable. It must be profitable for an enterprise to pay the entire wage with money and to participate in pension security, but for this it must be unprofitable for it to give workers credits, official cars, and much else.

Fifth. The pension arrangement can be broken down into a minimum mandatory pension and a supplemental pension. The mandatory pension itself will constitute a social guarantee. The supplemental pension will be associated with increased payments by the employer and the worker (for example, in equal shares) for the security of personnel. Everyone who starts work will be interested in what kind of pension provision a given firm offers.

Sixth. A counting off point is needed, for example, starting in 1997, when pension reform starts to operate. The transition period is very long. Everyone who went on pension before this should receive money according to social fairness. Too much of a gap with those who went on pension recently with similar work is dishonorable with respect to veterans. Already today the enormous difference in the incomes of "new" pensioners and "old" pensioners is arousing citizens' resentment.

Seventh. Every citizen should have an opportunity from a young age to take care of his old age, by buying pensions in private (nonstate) pension funds. Private funds as a supplement are excellent, but already today it is necessary to immediately think about a system of strict regulation in order not to bring forth "pension" MMM's.

Consideration must also be given to the fact that pension reform is needed for the resolution of general economic problems. Pension money is an investment resource for the development of production. The more there is, the more secure citizens' old age and the healthier the economy.

Pension money must work, and it must grow, at least on a level with inflation. For this it must be invested profitably. However, the safety of pension savings here is most important; therefore, pension funds cannot have risky investments.

I do not understand why the government has not to this day hit upon the idea of issuing special "pension" bonds and savings accounts for pensioners and of widely using the method of bequeathing apartments to the state in exchange for an additional pension (and for protection from robbers who kill people to get possession of housing).

The state should, through taxes and other levers, induce people to accumulate money for their old age and to save. As long as this is not done, people will crowd to various kinds of Mavrodis.

Pension reform is an urgent necessity and an obligation of the authorities. But who will conduct it?

*Report on State Tax Policy in 1994

954E0806A Moscow KOMMERSANT-DAILY in Russian 24 Mar 95 p 3

[Article by N. Barnabskaya: "Russian Tax Legislation Resembles a Step-Mother Rather Than a Loving Mother"]

[FBIS Translated Text] **That is how the existing tax system was described by Sergey Almazov, head of the Tax Police of Russia, at a press conference held by two of the principal fiscal agencies—the State Tax Service and the Tax Police of Russia—on results of operations conducted in 1994. Yesterday's briefing by the tax agencies was notable first of all because of the daring nature of statements made by leaders of the tax agencies who did not conceal their negative attitude toward tax rules in Russia.**

Sergey Almazov believes that the existing tax rates promote violation of tax laws, presenting many companies with the choice of either dodging taxes or sacrificing their own business.

Nevertheless, as indicated by the leaders of the tax agencies, the civilized world has not yet been able to invent a "taxless state," so it is still necessary to pay taxes. They will be scrupulously paid, however, only with "the certainty of punishment," when each taxpayer will know that "a sword of Damocles is constantly suspended above him." So far, however, the scale of tax avoidance is high. As noted at the press conference, the greatest number of tax law violations last year were committed by oil extracting and oil refining companies, as well as by fishing companies and banks.

Big and Especially Big Violations by Type of Tax

Profits tax	3,541 (28.4 percent)
Value-added tax	5,348 (43 percent)
Road funds	837 (6.7 percent)
Income tax	461 (3.7 percent)
Other	2,247 (18.2 percent) including tax on maintenance of housing fund—245 (2.0 percent), tax on property of enterprises—168 (1.3 percent) excise taxes—143 (1.1 percent)

Vladimir Gusev, the head of the Tax Service, believes that the first and most serious step on the way toward introducing tax control should be the declaration of their funds by citizens in the course of any major purchases, for instance, in the acquisition of large homes. The report that the Tax Service has submitted the appropriate proposal to the organs of power was heard for the first time at the press conference.

Big and Especially Big Violations by Form of Ownership

Private property	3.784 (53.1 percent)
Mixed property of Russia without foreign participation	2,436 (34.2 percent)
State property	362 (5.1 percent)
Property of public organizations	350 (4.9 percent)
Joint property with foreign participation	157 (2.2 percent)
Foreign property	33 (0.5 percent)

Commenting on the presidential edict which was adopted last week on eliminating restrictions on the number of clearing accounts, Vladimir Gusev noted that the banks urged liberalization of clearing account operations more than others. That is quite understandable because the existence of "a single clearing account" required them to redistribute clients and caused considerable losses of monetary turnover. The presence of many accounts will objectively complicate tax auditing of enterprises, but despite this the Tax Service is not insisting on a single clearing account on the condition that all company accounts are "transparent;" that is, they are reflected in bookkeeping records.

Big and Specially Big Violations by Organizational-Legal Form of Management

Joint-stock companies and partnerships	2,257.7 (69.8 percent)
State enterprises	419.9 (12.8 percent)
Individual (family) private enterprises	126
Other	435.5 (13.3 percent)

Ending the press conference Vladimir Gusev reminded the journalists of the words of the president on the need to change the priorities in taxation: with an increase in taxes on the income and property of citizens, there will be a decrease in rates and number of taxes on organizations. From what was said it is possible to conclude that statements by the president on changes in the tax policy were not just off-the-cuff remarks.

*Decree on Excise Tax on Imported Tobacco

954E0796A Moscow ROSSIYSKAYA GAZETA in Russian 29 Mar 95 p 13

[Government Decree No 295 of 24 March 1995 On Changes in Certain Decisions of the Government of the Russian Federation on the Issue of Excise Tax on Imported Tobacco Products]

[FBIS Translated Text] The Russian Government decrees as follows:

1. By way of a change in Point 3 of the decree of the Russian Government of 27 December 1994, No 1420, on the sale of goods subject to excise tax on the territory of the Russian Federation which receive excise tax stamps and special stamps (Collection of Legislation of the Russian Federation, 1995, No 1, page 71) authorize the sale of tobacco products of foreign production on the territory of the Russian Federation in amounts established by inventory, without excise stamps and special stamps until 15 April 1995.
2. By way of a partial change in the supplement to the decree of the Russian Government of 18 July 1994, No 363, on changes in excise tax rates for individual types of goods imported on the territory of the Russian Federation (Collection of Legislation of the Russian Federation, 1994, No 13, page 1531), as of 1 April adopt an excise tax rate for goods in group 2402 TN VED (except 240290000)—cigars (including cigars with trimmed tip), cigarillos (thin cigars), and tobacco cigarettes—in the amount of 1.2 ECU per 1,000.
3. Paragraph two of Point 2 of the Russian Government decree of 12 August 1994, No 924, on excise tax stamps (Collection of Legislation of the Russian Federation, 1994, No 17, page 1992) is to read as follows:

"On imported tobacco and tobacco products in the amount of 0.01 ECU per pack; ".

[Signed]V. Chernomyrdin, chairman of the Russian Government

*Duma Factions' Attitudes Toward Ostankino TV Future

954E0816A Moscow PRAVDA in Russian 1 Apr 95 pp 1-2

[Article by Yuriy Ivanov, Russian Federation State Duma deputy: "Games With Buttons: Who Killed the Laws Protecting National Television"]

[FBIS Translated Text] The State Duma recently held parliamentary hearings on the presidential edict, which practically places the Ostankino television channel in the hands of a group of people selected in secret by A.N. Yakovlev (a report on the hearings was published in PRAVDA on 22 March of this year: "Ostankino: Rush Hour"). In precise keeping with the outcome of these hearings, Communist Deputy S. Reshulskiy proposed the next day to include on the agenda the law "On Special Procedures for Privatization of Television and Radio in the Russian Federation," already adopted in the first reading. This law would have regulated all questions associated with the utilization of property of such structures as Ostankino or VGTRK [All-Russia State Television and Radio Company] (there are rumors that the latter also will be subjected to reorganization). However, the vote came up 27 ballots short of a positive decision. A little later that day S. Kalashnikov, chairman of the Labor and Social Support Committee, asked that discussion of another law at least be included on the agenda: "On Procedures for Exploitation of Television Channel One and Its Distribution Network." This law envisaged only a temporary suspension of the impending destruction of Ostankino, until lawmakers obtain more complete information. But this proposal, too, did not get enough votes.

Who killed these—not even laws yet but merely the opportunity to discuss them? Who wants this destructive reorganization, or more precisely, outright robbery of not only the television company's labor collective but of all Russians? Because it is a quite obvious fact that Ostankino" is part of the national wealth and its transfer to private ownership is impermissible.

Naturally our faction fully supported the discussion of the proposed draft laws. The agrarians, LDPR [Liberal Democratic Party of Russia], Women of Russia, the New Regional Policy, and the DPR [Democratic Party of Russia] (Govorukhin—Glazyev) were in complete solidarity with us.

And who was against? Russia's Choice, the PRES [Party of Russian Unity and Accord], and Yabloko, all of whom call themselves democrats. They used primitive tactics—the simply did not push the vote buttons. In this simple manner they made it impossible to muster the required total of 226 votes.

—RUSSIA'S CHOICE. Two voted to support S. Reshulskiy's proposal. Three voted against: the notorious Yu. Gusman, V. Zelenkin, and V. Ryzhkov. According to the morning registration data, 39 Russia's Choice members were present that day. Which means that 34 Russia's Choice members did not push their buttons. I will enumerate the best-known names: P. Bunich, D. Volkogonov, S. Yushenkov, N. Vorontsov, A. Gerber, V. Zolotukhin, M. Mityukov, A. Nuykin, A. Pochinok, as well as "the nation's conscience"—S. Kovalev. Among those who did not vote were even members of the Committee on the Mass Media—M. Poltoranin and Yu. Nisnevich, who are well aware of the importance of discussing the Ostankino problem now.

The position of Russia's Choice is understandable. After all, the AO [joint-stock company] ORT [Public Russian Television], which became Channel 1's owner, is their structure. It is not accidental that someone said at the hearings: "ORT's board of trustees is the politburo of Russia's Choice." One member of this politburo was appointed general director, to replace the murdered V. Listyev. He is Professor S. Blagovolin, who ordinarily is quite removed from the television business—he used to be party committee secretary at the World Economics and International Relations Institute when A. Yakovlev was director there.

—YABLOKO. Of the 13 deputies registered that day, eight did not vote (A. Golov, V. Sheynis...) G. Yavlinskiy—probably one of the "teletalk" champions these days—did not register in the morning but did cheerfully mingle around the Duma that day. He did not vote. Apparently, he does not give a damn about Ostankino's staff problems. Why? After all, they had given him so many opportunities to spill out his utopias all over the much-suffering Russia instead of in smoking rooms...

—PRES. As is known, S. Shakhray, Russia's chief legal adviser of the period of Yeltsin's reforms, is a specialist not only on the fight for sovereignties against sovereignties. He is also an expert in all existing and nonexisting fields of law. Therefore, one would expect him certainly to take part in the organizational development of Russia television. He did not honor the Duma with a visit, however, and therefore did not vote. Among his confederates, three were "for discussion," and the rest of those present (among them A. Shokhin and S. Stankevich) did not push the button.

The aforementioned faction trio was joined by another democratic child of the Duma—the Stability group. Of the 22 "Stabilizers" present in the Duma that day, only two voted.

Of course, the nonvoting deputies I mentioned may cry out indignantly: "I was not in the conference hall at the moment—I had stepped out!" But, excuse me—the work day began at 1000; registration was completed at 1004; S. Reshulskiy's proposal was put to a vote at 1105, and S. Kalashnikov's at 1129. What is this? Come to work at 1000 and by 1100 already bolted? But "where, oh where, did you go to?..." And so many at once? This was precisely the question I asked one of these democrats. And, of course, I received the only possible, giggly answer: "We went to relieve ourselves, all together!"

I guess this is also something democrats have in common—a synchronous group urge...

After all, these deputies cannot fail to understand that by blocking the discussion they not only spat on Ostankino's labor collective (which numbers in the thousands), but in the end became the main guilty party in its destruction.

Deputy K. Ignatyev deserves a special word. I will not elaborate on the debatable issue of whether deputies should participate in "public councils," behind which often lurk ordinary commercial interests and vulgar lobbying. Each Duma faction interprets the issue of deputy integrity differently, and I will not impose the perceptions of our Communist faction on a member of the Russia's Choice faction. It is something else that amazes me. Mr. Ignatyev never mentioned a single word about the AO ORT's creation and his role in it, although television is a constant subject in the Information Policy and Communications Committee, of which we are both members. In the founding documents, however, Kirill Borisovich is listed not as a private individual but as chairman of the Subcommittee on Radio and Television Broadcasting. In other words, in this case he in a way personifies the presence of legislative authority on the board of trustees. Which is no longer a private matter...

But what can we ask of Ignatyev when we learn that I. Rybkin himself is the deputy chairman of the board of trustees. True, there are rumors that he allegedly learned of his board membership from the newspapers. Nevertheless, officially the State Duma chairman did not issue a protest on the subject and is still mum.

There is no question that not only the deputies should find themselves at the center of public attention. First of all it is necessary to publicly appraise members of the AO ORT's so-called board of trustees. After all, it is their names that enabled A. Yakovlev to convince the president to give life to his new child.

And it is precisely these people who are responsible for beginning the destruction of Ostankino and, for all practical purposes, the plunder of the people's property. Since the AO ORT charter calls the board a "guarantor," its members should be aware of their personal responsibility. No excuses of the "I did not know—I was not aware" sort should be accepted in the future.

Therefore, let us once again recall these "guarantors." In addition to Yeltsin, Shumeyko, and Rybkin, there are several ministers and bureaucrats here (Chubays, Shabdurasulov, Gryzunov, Sidorov, Medvedev, Tarpishchev, Nosovets, Nikolskiy, Ignatenko). Tonnes of things have already been written about them as ORT organizers.

It would be more proper, I think, to focus public attention on other figures. Our aforementioned noble "human rights advocate" Sergey Adamovich Kovalev. As well as the extremely interesting offspring of the democratic "beau monde"—the "Mark-Zakharovites": the writers and poets A. Voznesenskiy, B. Okudzhava, and war veteran V. Astafyev, who finally ended up on the same board with these people. And together with them—this time without any ambiguity—will be Cinematographers Union Chairman S. Solovyev, and V. Vasilyev, who jumped, without a second thought, into the chair of his former mentor Grigorovich at the Bolshoy Theater. Also here are former people's and honored artists, these days busy amusing the public on every TV channel: O. Basilashvili, N. Fateyeva, and L. Fedoseyeva. Generally speaking, making all these names public is a positive development. The time has long come to publicly expose these people, to figure out their place and role in the main political events of the past few years.

It is not accidental that it is precisely these people who consented to membership of the board of trustees, that is, they had been involved back at the stage of secret talks on the creation of the AO ORT. In my opinion there is only one word to describe their actions—shameless. Naturally, none of them came to the parliamentary hearings. Because over there one has to answer, looking straight in the eyes of people who realize perfectly well what is going on.

Also amazing is the appearance among the ranks of trustees of top-ranking members of religious confessions. Because now believers will be able to hold their spiritual fathers responsible for the shame and plunder blessed from the television screen.

I think that businessmen—the founders of the AO ORT—in pursuit of rosy dreams of growing political influence do not realize clearly what they are getting into. The professor-dilettante Blagovolin will not have the power to shut off criminal under-the-table transactions in the area of advertising. Money from the state budget will soon be used up, and what next? Invest your own? I am sure that nobody will be stupid enough to do this. All hopes will be on the trustees-Chubayses. But where will Chubays get the money? From the state's purse? Let him try—the issue of AO ORT and Ostankino financing will from now on be constantly at the center of public attention, and any potential scenarios involving, for instance, manipulation of credit will immediately become public knowledge.

Meanwhile, I think that in the nearest future ORT will have to start by settling accounts with the communications industry. Because Ostankino systematically has not paid the latter for the "signal." The debt currently stands at 196.2 billion rubles. When the communications sector halted transmissions demanding to be paid, the entire democratic chorus accused them of antistate activities. Moreover, there have been instances when procurators with OMON [Special Purpose Militia Detachment] showed up at their facilities. Now the situation will fundamentally change. The AO ORT, a creation of billionaire banks, is not the state. And if the communications sector does not get paid in time for its work, they have a right not to broadcast ORT's television programs. Especially if the AO ORT fails to sign an appropriate contract, which Ostankino has successfully done in the past, citing lack of sufficient funds in the budget.

I cannot rule out that the future awaiting ORT will be similar to that of MMM, that is, researchers evaluating its actions will refer first of all to the criminal code. Although, of course, presidential edicts will be the attorneys' trump card. The main point today is to warn both the founders and the trustees. Excuses of the "I was completely unaware of this" kind may not be accepted in the future...

*Multinational Oil Credit Deal Concluded

954E0825A Moscow KOMMERSANT-DAILY in Russian 30 Mar 95 p 3

[Article by Andrey Bagrov: "Time of Superprojects Has Not Yet Passed"]

[FBIS Translated Text] **The deal on the sale of 25 million tonnes of Russian oil on the world market over a period of 5 years in exchange for Russia receiving untied credit in the amount of up to 2 billion dollars, which was proposed by the Russian-British Balkar-Trading Joint Venture and by the American oil company Mobil Oil to the Russian Government, at first glance vividly reminds one of the foreign economic superprojects of ANT [not expanded] and of Gennadiy Filshin, first Russian minister of foreign economic relations. Many things are similar: both the lobby pressure and the private participation of top government officials. However, whereas, previously, except for high-level patrons and glitter in "developers'" eyes, there was nothing else behind such projects, now, judging by the information of the Ministry of Finance disseminated by the Oil Information Agency yesterday, the level of elaboration of the project makes it possible to expect its successful outcome, primarily for direct participants.**

Everything began on 14 December 1994, when at a conference held by First Deputy Prime Minister Oleg Soskovets a decision was adopted on attracting untied currency credit of 1 billion dollars in 1995-1999. It was decided to liquidate credit with oil deliveries. The Balkar-Trading Joint Venture was to act as the exporter and the American Mobil Corporation, as the buyer. These two firms (since last year Mobil has acted as an intermediary in oil deliveries of the Balkar-Trading Joint Venture to the West), jointly with the Indosuez Bank, acted as lobbyists for the project.

The terms of the deal became public. A scandal flared up in connection with the disproportion of the amount of credit to the volume of exported oil. As a result, last year the deal gained weight considerably: It is no longer a matter of 1 billion dollars, but of an amount ranging from 1 to 2 billion dollars. But the volume of delivered oil has remained unchanged. However, this is far from the only innovation. Provision is made for the establishment of a trust company issuing securities against oil deliveries guaranteed by the Russian Government in the volume of 5 million tonnes annually over a period of 5 years. According to the terms of the deal, the trust company through Balkar-Trading will grant the funds received from the floating of these securities (from 1 to 2 billion dollars) to the Ministry of Finance in the form of untied credit at an annual interest of 12 percent. Mobil Oil is the buyer of oil and Balkar-Trading, the seller.

The proposed scheme raises questions. Why does Balkar-Trading act both as the seller of oil and as the intermediary in the granting of credit to the Russian Government? Apparently, many-sidedness pays off. As the seller of oil delivered against the servicing of currency credit granted to the government, Balkar-Trading, the first of the oil traders, consolidates its hold on the oil pipeline. It is well known that there is a certain time lag between the receipt of export proceeds and payments into the budget and settlements with producers. How to make use of this depends on the Balkar-Trading Joint Venture and the Indosuez Bank. Furthermore, taking into consideration the close partnership ties between the joint venture and Mobil Oil, a company controlling oil production in Nigeria, there is the probability that not all the oil exported through the oil pipeline will be connected with the "oil for credit" deal. On the other hand, mediation in the granting of credit to the Ministry of Finance, apparently, means that, although credit formally is granted as untied, in fact, oil and oil processing equipment will be bought against it. Judging by everything, again Balkar-Trading will purchase it.

[Boxed item:

Terms of the Oil Credit Deal

Amount of credit—1 to 2 billion dollars.

Granted period—1995-1999 (five tranches).

Commodity credit repayment—25 million tonnes of oil, 5 million tonnes annually.

Buyer of oil, Mobil Oil; seller, the Balkar-Trading Joint Venture.*

Credit source—the Russian Government's debt obligations floated by the trust company established by the Indosuez Bank among Western consumers of Russian oil at an annual interest of 12 percent. The issue of several tranches repaid with annual oil deliveries is expected.

The Balkar-Trading Joint Venture is the intermediary in the granting of credit by the trust company to the Russian Ministry of Finance.

*The cost of oil at world prices is about 3 billion dollars. The cost on the domestic market does not exceed 1.5 billion dollars.]

With regard to the activity of the trust company, in which, along with the Indosuez Bank, Balkar-Trading will take the most active part, as can be assumed, the floating of the Russian Government's debt obligations, although repaid with oil, but at an annual interest of 12 percent, promises considerable benefits. The report of the Oil Information Agency on the positions of the Ministry of Finance contains the following reservation: The deal is considered quite effective, but under some conditions. Probably, the basic condition concerns the issue of debt obligations. The Ministry of Finance, softening the growth of its debts, insists on their issue only against deliveries of the first year. However, even if the Ministry of Finance insists on having its own way, it is clear that the gain that the deal will bring to the budget (without taking into account the effectiveness of investments of credit resources, but, on the other hand, with due regard for the prospects for the abolition of export duties in 1996) will be incommensurable with the gain of Balkar-Trading. Undoubtedly, this links this project with its predecessors, which, in particular, came out from the depths of ANT.

*Current Situation in Diamond Business Reported

954E0810A Moscow KOMMERSANT-DAILY in Russian 29 Mar 95 pp 1,10

[Article by Vladimir Teslenko, KD correspondent: "A Modest Fascination With the Diamond Business"]

[FBIS Translated Text] **Unprecedented activity in Russia's diamond sector has been noted in the last few days. A meeting of the supervisory council of the major diamond-extraction company, Almazy Rossii-Sakha (KD will tell about the results tomorrow) ended late yesterday evening. Preparation for a decisive round of negotiations with the transnational De Beers diamond monopoly on the possibility of concluding a new long-term agreement went into an active stage. An All-Russian conference of diamond producers was held at the end of last week.**

The key problem, which is rightfully at the center of attention of the Russian diamond community, is the state of the diamond-processing industry. The question if this: is Russia capable of processing a large part of the precious raw material being extracted, and if so, what does it have to do for this? The export of diamond products ($1,050 million in 1994) is already comparable with the export of raw diamonds along the channels of De Beers ($1,040 million). Russian jewelers, however, are introducing plans not only for a further increase in capacities for the diamond-cutting industry, but also for expansion of the production of jewelry items made with diamonds, in order to make full use of the potential of the growing world jewelry market, the annual capacity of which is $50 billion. KD expert Vladimir Teslenko analyzes the Russian diamond business, the turnover of which doubled in 1992-1994.

Where Did the Diamond-Cutting Industry Come From?

The natural base for creation of the Russian diamond-cutting industry emerged not all that long ago—after the discovery and start of operation of the Yakutsk diamond deposits. The basic production capacities were concentrated at the plants of the Kristall system (Smolensk, Moscow and Barnaul), which were built in the 1960's. Up to the beginning of the 1990's, the plants of this system (in the former USSR, enterprises in Kiev, Vinnitsa, Gomel, Yerevan and Tashkent were attached to them) exported about 99 percent of the products through Almazyuvelireksport. The total annual production in the USSR was estimated at $800 million.

Basic Indicators of Russia's Diamond Sector

	Jan 1992	Jan 1995
Number of legal persons	10	120
Monthly turnover (mln $)	60	100
Number of foreign investors	3	15
Machine-tool inventory (units)	5,000	7,000
including		
laser system	2	15
Prodiamatic-type robots	50	300
Number of employees (persons)	4,000	5,000
including foreigners	0	500

The impetus for the development of the Russian diamond-cutting industry was given at the time of Mikhail Gorbachev's reforms. Government experts thought about the prospects for the diamond business in Russia and came to the following conclusions. The domestic diamond industry could bring in considerable profits, if it gradually switched from exporting raw material through the international middleman De Beers to production within the country. Moreover, the sector's full-scale integration in the world jewelry industry was useful. In 1989 Gorbachev personally gave permission to set up the first joint venture, Intertreyd, so that Russian cutters could quickly acquire foreign production and commercial experience. True, in 1990-1991, the concept of modernizing the domestic diamond industry was realized, but not at all at the expected (revolutionary) rates. The few joint ventures (Intertreyd, Kristalldiam and Ruizdaymond) were just getting on their feet.

The events of August 1991 in Moscow, the break-up of the USSR and the liberalization of prices created the conditions for major transformations in the Russian diamond-cutting industry and led to a temporary recession in this sector (this fell in 1992). The fact that Russia's diamond industry was always an export-oriented sector gave it a certain start. It must be acknowledged that the diamond-cutting industry managed to profit by this, and today this sphere of production is almost the only one which has already succeeded in overcoming the recession and entering a stable phase of growth. In addition, the diamond industry has reached a relatively high degree of integration into the world jewelry industry.

May A Hundred Flowers Bloom

Russia is turning into a very powerful diamond producer before our very eyes: there are objective reasons for this—the colossal reserve of precious stones, the powerful diamond-extracting industry, the relatively low domestic prices for diamonds, the high educational level of the labor resources. It is expected that in the next few years Russia will double the turnover of the diamond business and increase its share on the world market from 10 percent to 20 percent.

One of the signs of the sector's full-blooded work is the existence of the "multi-structured" business. Right now there are over 100 firms in operation in Russia. Among them are the official plant, Kristall, and the state company, Almazyuvelireksport, as well as the joint-stock companies and joint ventures. The number of foreign investors putting money into the Russian diamond-cutting industry has increased several-fold. It is important that among them, along with the young "risk" firms, there are also solid companies, including three trusted clients of the De Beers diamond monopoly (LKI, L.I.D. and Bumi Traub). In addition, some firms are organizing several enterprises each in Russia: for example, the Belgian Ubex has created as many as five joint ventures.

Basic Sales Flows of Russian Diamonds

	Percent
United States	2
Western Europe	15
Japan	2
Other	10
Russia	1
Belgium	70

In a certain sense, Russia has left all the rest of the world behind—for example, with respect to the diversity of forms of the diamond business. Where else would the Central Bank or subdivisions of executive authority, in particular—the president's legal administration—engage in the diamond business? Naturally, every "state" diamond new-formation becomes the object of fixed attention because of suspicions that, under the conditions of rigid state control over diamond operations, they will get certain privileges.

In the focus of these interests is Roskomdragmet, which in 1994 organized 4 mini-factories, with the participation of American and Israeli firms, right in the committee's administrative building on 1812 Street. Their total capacity is not large, about $20 million a year, that is, approximately 2-5 percent of the total Russian sale. The great interest they attract, however, is out of all proportion to this.

Yevgeniy Bychkov, chairman of Roskomdragmet, dispelled the doubts of the KD correspondent, explaining that the production of diamonds at Roskomdragmet was organized within the framework of the legislation in force. An original scheme was worked out: the business is run without forming a new legal person, but in accordance with an agreement on joint activity. According to him, Roskomdragmet grants the production area, guard and part of the equipment, and the foreign partner fully mans the production section and guarantees the funds to purchase the raw material. The diamonds are sold jointly, and Roskomdragmet is the possessor of the products up to the time of sale. After the final tabulation, the profit is divided into two parts, and the Russian share goes directly into the budget.

The Wages in Russian Industry

	Percent
$1,000-2,000/month	1
$500-1,000/month	4
$200-500/month	15
$100-200/month	80

Top Technology—Diamonds' Best Friend

Another important special feature of Russia's diamond-cutting industry is the mass introduction of advanced equipment and technology, without additional stimulation in the form of "state programs" and "sectorial control indicators." The economic advantage, the fervor of technological competition, the personal engineering interests and the increase in inventors—all this has proved to be sufficient for active re-equipping of the sector. We all know cases of foreign partners having built a diamond factory in Moscow with equipment that is more up to date than that operated in a "related" plant somewhere in Israel, which, in general, is famed throughout the world for the high technological level of diamond production. Russia's diamond industry, therefore, refutes the divergent opinion, they say, that foreigners are trying to invest funds only in the raw-material sectors (oil or gas), and at best ready to supply obsolete equipment.

True, the re-equipment of the sector is going at an uneven pace. The Kristall plants have a protective attitude toward their accustomed machine tools and are following a policy of supplanting the obsolete equipment by evolution. The factories under construction, however, are having advanced equipment installed from the beginning, and after that organizing the training of the personnel and "getting them used to it."

Dynamics of Diamond Export From Russia (mln $)

	1991	1992	1993	1994	1995 (estimate)
Export, total	570	560	670	1,050	1,100
including					
Production in Russia	400	350	350	400	450
Sale from reserves	170	200	250	100	100
Other sources (cuts supplied by the client, etc.)	—	10	70	550	550

Trading in Diamonds Is Complicated, But Possible

In the Soviet days, the sale of diamonds was carried out through a counted number of large wholesalers, mainly from Antwerp, the largest center in the world for the diamond trade. Beginning in 1992, Russian producers obtained limited, but later on, full freedom of sale. The achievement of the last three years has been the transition from five large wholesalers to 50 suppliers of diamonds for jewelry factories. As a result, the Russian firms have begun to be left with an additional 5-10 percent from the turnover. Many diamond-cutting factories discovered trade representatives in the leading trade centers of Europe, Japan and the United States. True, for the time being the basic flow of diamonds is going, as before, to Belgium. The end consumers, who are mainly based in the United States and Japan, are virtually not covered by Russian export. It is obvious that local middlemen are carrying out the sale of Russian diamonds. The general trend in the direction of export is clear—go out to the major producers of diamond jewelry items in the United States and Japan.

There is a colossal reserve hidden in large-scale jewelry production under Russian control. The possible volume of diamond business here may reach up to $10 billion a year. The tax burden in Russia rules out the efficient work of enterprises of the jewelry sector. Therefore, acquiring plants in "inexpensive" and "tax-free" countries or areas—Thailand, a number of regions in India and Latin America—is becoming promising. As far as KD knows, projects like this are already being carried out.

In addition, Russian enterprises will probably obtain the right to re-sell part of the "unprofitable" raw material and semimanufactures on the domestic market. The possibility is not ruled out that at the end of 1995 free export of any diamond products will also be permitted. True, the export of raw materials outside the De Beers channels will be taxed an export duty of 10 percent (equal to the official margin of the Central Sales Organization), in order to support the world price level.

[Box, p 10]

Foreign Companies Carrying Out Major Production Plans in the Jewelry Industry in Russia

L.I.D (Israel), Kaszirer Diamonds (Belgium), Ubex (Belgium), Bumi Traub (Israel), Ramgem (Israel), LKI (United States), Arda (Japan).

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*Good Prospects for Diamond Mining in Central Russia Reported

954F1976A Moscow SEGODNYA in Russian
28 Mar 95 p 13

[Article by A. Naryshkina: "Sensational Diamond Discoveries Anticipated in Central Russia"]

[FBIS Translated Text] **Deposits Will Most Likely Be Developed by Foreigners**

About 20 years ago diatremes were discovered in the northern portion of the East European Platform (VEP) on the Onezh Peninsula. They did not contain any diamonds, but their presence gave reason to assume that search in the Central part of Russia could be successful. The assumptions were further encouraged by the finding of three empty kimberlite pipes in Central Timan (Komi ASSR) as well as the Ichet-Yu gold placer with a small number of high-grade diamonds located in the same region.

At the end of the seventies minerals were initially found in Arkhangelsk Oblast—associated minerals, then kimberlite pipes, and then the diamonds themselves. That was the famous Lomonosov Deposit. The concept concerning prospects of the VEP changed sharply. In addition, diamonds were also being found in regions of North America and Canada, geologically similar to the East European Platform, which used to be regarded as absolutely hopeless in that respect.

In 1989, thanks to the efforts of specialists of the Central Scientific Research Geological Prospecting Institute of Nonferrous and Precious Metals (TsNIGRI) and the Tsentrgeologiya Enterprise, the first map showing possible distribution of diamonds was worked out along with recommendations for conducting work in Tver Oblast where, according to all the signs, kimberlite fields were anticipated. Rather scattered operations were conducted there prior to 1991 which did not produce any serious results. Realization of a major project was launched in 1991 which unified serious scientific and production organizations, and there was a shift from the method of analogies to practice. The results will be reported this April to the Committee for Geology. According to Valeriy Vaganov, director of the Department of Geology, Prospecting Methods, and Economics of Diamond Deposits of the TsNIGRI, that is just a formality because the Committee for Geology is totally up to speed.

In brief, the report contains the following: a discovering map was prepared which shows over 10 potential diamond-bearing areas. Widespread development of minerals associated with diamonds has been found. Aeromagnetic surveys were conducted in the Tver, Voronezh, and Bryansk oblasts as a result of which local pipe-like aeromagnetic anomalies were detected. According to Mr. Vaganov, "the most beautiful" anomaly was found in Tver Oblast, which by all signs should contain kimberlites. These signs are very similar to those found in the Lomonosov Deposit (which contains around 50 percent high-grade gem diamonds) whereas in Yakutia they are found in volumes of 20 to 30 percent. Mr. Vaganov believes that if diamonds are actually found in Tver Oblast, their quality will be above average. Finally, two years ago a gem diamond of the kimberlite type of average quality was found in Voronezh Oblast, near the city of Pavlovskiy (world prices for products of that quality fluctuate from $60 to $15 per carat).

Valeriy Vaganov states that "judging by everything we have a new kimberlite subprovince in the central portion of the East European Platform. There is a 99 percent chance that kimberlites will be found here." Regarding diamonds we can say just one thing: there is hope. So far, however, it is impossible to predict even the approximate volume of extraction. Only one thing is clear: we are talking about gem diamonds and not industrial gems. It is too early, however, to tell whether they will be developed. Statistically, diamonds are found in 80 percent of the kimberlite pipes, but only 4 percent have any industrial value. In other words, prospecting in Central Russia may either fizzle out totally or create a world sensation.

Drilling must be the next stage in prospecting, but the specialists have been unable to obtain the money for that in the last two to three years (at present the drilling of one 100-meter well costs 20-25 million rubles [R]). The problem is that mining enterprises as a rule are neglecting the need to deduct so-called compensation payments to the Committee for Geology (4 percent for diamonds) which in theory should be paying for such operations. So far geologists are being supported out of the budget, but these sums are clearly inadequate.

In addition, government policy with regard to new deposits is yet to be determined. At the end of last year at the behest of the Ministry of Economy, the Committee for Geology worked out and submitted to the government a federal draft program for developing the mineral and raw material base of diamonds in Russia up to the year 2005. Responsibility for developing the draft was delegated to the Almazy Rossii-Sakha Company. According to one of the specialists involved in this work, the draft does not assume an increase in the volume of diamond extraction in Russia. On the contrary, it contains the idea of a gradual planned decrease. The elaborators proceeded from the need to continue cooperation with De Beers and, correspondingly, not to extract more than established by the quota.

The draft has been circulating among several agencies over the past several months at a time when another interested agency, the Roskomdragmet [Russian Committee on Precious Metals and Precious Stones], is working on its own version. According to certain data, Komdragmet is adhering to the opposite position and insisting on an increase in the volume of extraction, an expansion of prospecting work, and the creation of an alternative diamond base which might replace Yakutia for Russia in case it is necessary.

Yevgeniy Bychkov, chairman of Roskomdragmet, believes that the program really exists. "Russia is very promising with regard to reserves," Mr. Bychkov stated in an interview with BIZNES-SEGODNYA. "It will extract diamonds, and I think we will expand the volumes." Komdragmet, however, will help geological prospecting in Central Russia only with "good advice" and certainly not with finances. That is a matter for the Committee for Geology and local administrations.

Thus there is no unified state policy in that area, which is invariably reflected in the rates of geological prospecting. The specialists, however, presented a new major draft as if stemming from the preceding one. It includes the participation of the Central Regional Geological Center, local geological organizations, the TsNIGRI, and the Rosnedra firm. Budgetary financing of R3 billion is envisaged in prices in effect last autumn. The specialists have no doubt that this money will be advanced a little at a time and with long interruptions. "Unless diamonds are found in the very first pipe," Mr. Vaganov states, "this entire matter will be extended over another five to seven years."

But there exists a method that has already been used for several years by the Committee for Geology in the form of open tenders. In this case part of the work is financed by the winning participant of the competition. According to Mr. Vaganov the ideal variant is 100 percent participation of the investor, a foreign investor. Foreigners usually take part in prospecting on the basis of entrepreneurial risk, whereas Russian firms only offer credit on preferential terms. These credits have to be repaid by the geologists even if prospecting work is unsuccessful, which is completely impossible for them. Foreigners (they are primarily Australian firms) form a joint-venture with Russian participation so that prospecting is actually done by Russian specialists but with the utilization of imported equipment and at the expense of the investor. Six major firms were named for the BIZNES-SEGODNYA correspondent (one American and five Australian) which have six licenses for conducting prospecting work on Russian territory.

In our case it was also decided to revert to that method. Certain organizations received commercial offers to license an area in Tver Oblast for prospecting of deposits. If an investor is found it is most likely that he will be a foreigner. The actual cost of operations in that sector is estimated at $3-5 million. With such money they could be finished in two to three years.

*Railway Press Conference Following Yeltsin Visit Reported

954E0807 Moscow GUDOK in Russian 31 Mar 95 p 1

[Article by N. Davydov: "Press Conference of Railways Minister G. Fadeyev and Moscow Railway Director I. Paristyy"]

[FBIS Translated Text] This meeting with the journalists was devoted to results of the inspection of railway transportation facilities by President B. Yeltsin. Concrete evaluations and conclusions by branch executives were aired based on the discussion of the most pressing problems of railway transportation with the president.

"To me it was important, as they say, to synchronize watches; that is to determine to what measure the policy of the Railways Ministry collegium coincides with the head of state's evaluation of our actions," F. Fadeyev stated. "I can say confidently that there were no diversions on the main issues."

Everyone is aware of how the situation developed over the past two or three decades with passenger locomotives and railcars, suburban electric trains, and track maintenance and repair equipment. All of that was supplied to us by enterprises of Austria, Germany, Czechoslovakia, and the Riga Railcar Building Plant. With the disintegration of the Soviet Union, the Riga Plant became a foreign enterprise. At the present time there is an acute shortage of rolling stock for suburban transportation, but the budget lacks the funds needed to purchase it in Riga. Around 1,900 Czech locomotives are being operated on Russian railways, but the Czech Republic is refusing to supply spare parts for them. It has become too expensive to purchase German passenger cars and Austrian track maintenance and repair equipment. How do we get out of this situation?

The Ministry of Railways and the railroads have taken the path toward producing domestic rolling stock: high-speed electric locomotives, passengers cars, suburban electric trains, and track maintenance and repair equipment. Appropriate government programs have been adopted and are currently in operation. Responding to questions of a correspondent who asked for explanations, G. Fadeyev stated the following:

"These are not some abstract programs. Every one of them is being realized. At the Demikhovsk Plant, 35 electric trains—which, by the way, will be more reliable and cheaper than those made in Riga—will be assembled this year. Considering the contribution made to organizing production by the Moscow Railroad, it will be the one to receive at least 20 trains.

"In the production of passenger electric locomotives, we have decided to unify the efforts of collectives of the Novocherkassk and Kolomna plants which by 1997 are to organize the production of new domestic locomotives. In the meantime, however, we are organizing the repair of operable Czech machines in Yaroslavl and Novosibirsk.

"In order to eliminate the need for purchasing German passenger cars, it is necessary to re-equip the Tver Railcar Building Plant, which is capable of producing up to 1,700 cars a year. At the same time similar production is being organized at the Altay Plant where it is planned to assemble up to 500 railcars a year, including some with a high design complexity and degree of comfort with utilization of foreign experience. We are also planning to organize the base for production of track-maintenance and repair machinery at Tikhvin."

In this manner key problems pertaining to developing the branch are being resolved, which was noted by the president as a good sign of progress.

The director of the Moscow Railroad, in his answers to journalists' questions, focused on the quality of suburban transportation. Inasmuch as the passenger first comes to the railroad stations, their condition in the capital has been taken under special control by the branch leadership. The Kiev, Belarus, and Pavelets stations were reconstructed in the eighties. The Savelovsk Station was renovated in 1992, and in February of this year a reconstructed Riga Station welcomed its first passengers.

Paristyy invited the journalists present at the press conference to the opening of the Yaroslavl Station following its reconstruction in June of this year when it will be expanded to twice its former size. Next year it is planned to complete all work at the Leningrad Station and in 1997 at the Kazan Station. All this is being done using railroad funds.

Unfortunately it is becoming increasingly more difficult to find these funds. After all, suburban transport on the Moscow system is virtually free. In the past, a ticket to Podlipki cost 20 kopeks (20 boxes of matches), whereas now its price is not enough even for one box of matches. Suburban transportation fares have remained unchanged since December 1993. In addition, 20 percent discounts were in use in the summer of last year. Therefore, if there are no changes, the final results of the year will bring the railroad losses of not less than 800 billion rubles.

A journalist asked: "Is the administration of Moscow and the oblast helping to compensate for the losses at all?"

Paristyy responded: "A joint session of the governments of Moscow and the oblast and the Railways Ministry collegium is planned for next week at which time these issues will be discussed."

"But the budgets have been put together a long time ago. Is it realistic to expect any help?"

"They contain an item called transportation expenditures. The task is to squeeze funds out of here to compensate our losses," the head of the Moscow Railroad concluded.

*Draft Program on Gold Production Reviewed

954F1975A Moscow SEGODNYA in Russian
28 Mar 95 p 11

[Article by A. Naryshkina: "Government Decided To Concern Itself With Gold"]

[FBIS Translated Text] During its last session, the Expert Council of the Russian Government approved the draft of a federal special-purpose program for production of gold and silver in Russia up to the year 2000. The main goal of that program is a 50-percent increase in the extraction of gold by the year 2000 (in 1994, let us recall, some 131.9 tonnes were mined) through the introduction of new capacities, utilization of new technological processes, and, what is most important, transition primarily to the extraction of gold from ore.

Only 20 percent of the reserves are concentrated in the placer deposits which now yield 71 percent of all the Russian gold. The remaining 80 percent await their hour in the mines. In 1994, 120 tonnes or 91 percent of the total yield was obtained from placers and 11.9 tonnes of gold were extracted from ore deposits. Yevgeniy Bychkov, chairman of the Russian Federation Committee for Geology, believes that correlation must be proportionate to the correlation of the content of gold in the reserves. In other words, 80 percent of the Russian gold must be extracted from ore deposits.

Extraction from the sands as a rule is cheaper and more economical, but the placers are exhausted. The most important producers (Chukotka and Magadan Oblast) have enough reserves for 10 more years. By the year 2000 they will sharply lower production and shift to the processing of labor intensive reserves with a low content of metal. In principle, labor-intensive reserves must be processed in any case (there are profitable methods) and the federal program provides for that, but to get by with them alone is not feasible.

As a result it was decided to assimilate known ore deposits and increase reserves by seeking out and assimilating unknown ones (estimated unexplored ore reserves exceed the explored ones by a factor of 1.8). It is assumed that before the year 2000 some 21 ore concentration enterprises will be constructed (with a total productivity of 17.5 million tonnes of ore a year) while seven of the operating ones will be reconstructed (producing 3.2 tonnes of ore a year). For that purpose it is necessary to invest $5.47 billion, including $2.17 billion in the construction of new enterprises and $3.3 billion in reconstruction inasmuch as around 60 percent of the mines have been in operation for over 20 years and require major overhaul and reconstruction. These are mines of Kurany in Respublika Sakha, Mnogovershinnyy Mine in Khabarovsk Kray, the Baleysk Mining and Concentration Combine, the Darsunsk Mine in Chita Oblast, the Kholbinsk and Irokinda mines in Buraytia, the Berezovsk Mine in Sverdlovsk Oblast, and others.

According to Yevgeniy Bychkov, chairman of the Roskomdragmet [Russian Committee on Precious Metals and Precious Stones], financing of construction and reconstruction will be carried out over five to seven years. All of these measures, including the shift to ore deposit gold, will require $8-10 billion. Mr. Bychkov is not counting on the budget. One-third or one-fourth of that sum will be invested by the extracting enterprises and the rest by domestic banks and foreign investors. By the way, Roskomdragmet worked out a program to attract foreign investments which still has not been adopted.

Western investors began participating in Russian gold mining operations last year. Six joint ventures were registered by the end of March 1995. They include the participation of the German Shreder firm (reconstruction of the Mnogovershinnyy Mine and development of the Khakanadzha Deposit), the British RTZ Firm (Svetlinskiy Deposit), the American Homstein Firm (Pokrovsk Deposit), the Asarko and the Grainberg Resources Firm (Aginsk Deposit), and Cyprus Mineral (Kubaka).

Since 1992 construction of new enterprises has been financed at the expense of private funds or investment and "gold" credit issued on preferential terms. Last year the Ministry of Economy planned to allocate 2.3 billion [currency not specified] in credit on preferential terms for gold mining operations. In reality the gold miners received only 200 million rubles [R] and the Olimpiadninsk Mining and Concentration Combine was the lucky one.

"Gold" credit (when enterprises or the territorial administration receive a certain amount of gold from the government and invest the proceeds from its sale in mining), which was granted between 1992 and 1994, amounted to a total of 20.74 tonnes (2 tonnes in 1992, 1.5 tonnes in 1993, and 17.24 tonnes in 1994) or $252.43 million. Of this money $215.19 million were channeled directly into the branch. The remaining $37.24 million were "eaten-up" by socioeconomic needs of the extracting territories. By 1 January of this year the branch assimilated $74.74 million, inasmuch as the remaining funds were delayed. They must come in before the end of the first six months.

Last year enterprises which received "gold" credit were to have returned 800 kilograms of gold to the State Fund, but only 630 kilograms were actually returned. This was the fault of the Lenzoloto Joint-Stock Company. In 1995 the State Fund anticipates the return of 3,300 kilograms of the metal. The specialized Roskomdragmet operational fund could become another financial source.

Roskomdragmet is currently conducting negotiations with the Central Bank regarding the volume of gold that the government will purchase from the mining establishments. Mr. Bychkov believes an optimal variant would be to form two funds, one of which—the national one—would remain with the Central Bank, while the other one—the operational fund—would remain with Roskomdragmet. If the idea gets government support, Roskomdragmet will be able to accumulate some sizable sums without selling gold from its fund but merely utilizing it in mortgage operations, for instance. Part of these sums the government could use at its own discretion and part would go to the miners.

Movement to ore deposit areas will require increased attention to geological prospecting work. Otherwise in five to seven years 40 percent of the enterprises will not be extracting anything since the explored reserves will be exhausted by then. It was planned to spend R310 billion on the replenishment of the mineral-raw material base. Only R3.45 billion were given out of the republic budget, which was to have appropriated R18 billion for the branch. As a result, reserves depleted by mining operations in 1994 were replenished by only 40 percent (by 60 percent in 1993). Roskomdragmet, which prepared the draft government decree, sees a way out of the situation through the establishment of a fixed rate for the reproduction of the mineral-raw material base (a minimum of 3.5 percent of the value of what is extracted) to be credited to the republic budget and through the granting to enterprises, using the mineral resources, the right to independently determine the volumes of their geological operations.

In a certain sense 1994 was a critical year in gold mining. Up to now it has shown rather good results, but the figures characterizing the state of the mineral-raw material and technical bases of the branch lead one to think of a destructive inertia which should be broken. "Today both the government and the prime minister have understood that it is necessary to be concerned about the gold," Mr. Bychkov stated. The number of measures dedicated to gold-oriented topics is apparently explained by a realization of this.

*Financial Support Helps Those Who Need It Least

954E0753F Moscow KRESTYANSKAYA ROSSIYA in Russian No 10, 20-26 Mar 95 p 2

[Article by Viktor Malakhov: "You Are Drowning? Then Drown...."]

[FBIS Translated Text] On 10 March 1995 the Russian Federation Government adopted the decree "On Economic Conditions for the Functioning of the Russian Federation Agro-industrial Complex in 1995." The adoption of such decrees has become a tradition—the previous decree of this kind was dated 23 February 1994.

The latest decree declares a continuation of the course aimed at "reforming the land and economic relations in the agro-industrial complex and intensifying the purposefulness and specific directedness of state support of agriculture."

Putting it more simply, the aid will be given only to those farms that have managed to remain afloat. But most of the agricultural enterprises that are "drowning" will continue their steady descent to the bottom.

True, the government has given them a financial breather: The indebtedness with regard to centralized credit in the amount of 3 trillion rubles [R], which indebtedness does not have any sources of return and which previously had not been paid in installments, is being transformed into the Russian Federation state domestic debt, against the guarantee of subjects of the Russian Federation. It will be paid off beginning in 1996 for a period of 10 years in equal shares with a payment of 10 percent annual interest.

The decree, most likely, will also disappoint the individual farmers. Just like the situation a year ago, it is only being **recommended** to the agencies of the executive authority of subjects of the Russian Federation that they compensate the peasant farms for their expenditures for operations actually carried out by their own efforts to install engineering facilities and carry out land reclamation, as well as 50 percent of the cost of animal-husbandry facilities that are being activated. As everyone knows, there is a tremendous distance between a recommendation and implementation.

*Call for Authorities to Heed Peasant Concerns

954E0820B Moscow ZEMLYA I LYUDI in Russian No 10, 17 Mar 95 p 1

[Article by P. Shcherbakov: "Will the Authorities Hear the Concern of the Peasants?"]

[FBIS Translated Text] As is well known spring is a busy and crucial time for the peasants—it creates the reserve (zadel) for the entire agricultural year. But in the last few years precisely at this time, when all the thoughts of the workers of the fields and the farms are directed to the very chief land-related concerns, as if by ill fate, they are drawn into a political struggle, they are taken aback by insufficiently considered reforms, and completely cut off from state support.

And this time the peasantry has been put into a position from which hardly anyone will benefit with the exception of those who are vitally interested in the final collapse of the agrarian sector of Russia's economy. Judge for yourselves. According to a Federation Council estimate a catastrophic financial situation has developed in the agro-industrial complex prior to the start of spring field operations. It has been caused by the fact that last year the financing from the federal budget of 12 federal programs directed toward increasing the production of domestic food products has been implemented by only 5 percent. Russia's agriculture requires 20.6 trillion rubles for normal functioning in the first half of this year. Moreover, R16 trillion alone needs to be directed from the federal budget for carrying out spring field operations and acquiring tractors, agricultural machinery and spare parts, fuel and lubricants, fertilizers, seeds as well as pedigree cattle for these purposes. Only R200 billion, or 1 percent, has been allocated as yet!

The chairman of the agrarian union has called the editorial office from Ryazan Oblast, having reported with alarm that by joint efforts the oblast has managed to scrape up funds sufficient only for supporting about 200 farms out of 500 in the spring sowing. This means that more than half of the agricultural areas in Ryazan Oblast may remain unsown!

A meeting of the coordination council for the collective actions of the workers of the agro-industrial complex took place in Moscow on 10 March. This influential public organization of agrarians has discussed the blatant situation in the village.

There never yet was such a thing in the opinion of M. Lapshin, chairman of the Agrarian Party of Russia. There's a shortage of seeds on many farms, no fuel, and half the equipment hasn't been repaired. The reason—no money.

The members of the coordination council, and these are representative of all the territories of the Russian Federation, emphasized not only the difficult economic condition of the farms but also the especially depressed mood of the peasantry in a number of locations. Reduced to extremity they have directed their demands for the conducting of a general peasant strike to the coordination council. The law permits doing this.

How have the members of the coordination council reacted to this appeal? On the whole peasant prudence and a genetic responsibility for the fate of the Russian land have prevailed. It has been decided to hold an All-Russian Peasant Assembly on 5 April in Moscow, in the Parliament Center building, to which delegated representatives with appropriate powers and a vote will come.

As a preliminary, meetings will be held in labor collectives on the rayon, oblast and republic levels with an identical agenda, "On the Situation in the Agro-Industrial Complex." Demands on the President of Russia and the Government of the Russian Federation will be formulated in the course of these meetings.

But here's the question. Will the official powers hear the peasants' cry of despair this time?

*Peasant Concerns Over Timeliness of Government Support

954E0820C Moscow KRESTYANSKAYA ROSSIYA in Russian No 12, 3-9 Apr 95 p 2

[Article by Yevgeniy Galkin: "Three Calls to the President of AKKOR"]

[FBIS Translated Text] The telephone rings without ceasing in the office of the president of AKKOR (Association of the Peasant Farms and Agricultural Cooperatives of Russia), Vladimir Bashmachnikov. The overall contours of the situation in which the now independent farmers of Russia find themselves are being outlined thanks to telephone reports and live voices. The conversations are somber. I should think so! The sowing is soon and many farms have neither seeds nor equipment nor fuel.

Most interesting information has come in from Perm, from the head of the local individual farmers Nikolay Mikhaylovich Kunakov. A sharp increase in independent farmers is taking shape in the oblast, for about a quarter of the kolkhozes and sovkhozes have been disbanded by a decision of the administration. Subsidies are not to be expected. Small, voluntarily created cooperatives are emerging, naturally, and the muzhiks are a little stronger in resolving to manage on their own. But how to provide themselves with everything necessary for spring operations if the members of the individual farmers association with seniority don't know this? It fully suits the peasants that the loan from the state this year will be not in money but in goods. They will get seeds and fuel and lubricants. A version of licensing for getting equipment has also been developed. However, to this day there are no instructions from the Ministry of Agriculture and Foodstuffs regulating the procedure for drawing up the commodity credit. But it cannot be delayed!

A similar call from the Gornyy Altay. There it's even more drastic. As the leader of the local AKKOR branch, Ignatiy Ivanovich Sumachakov, recounts, the bureaucratic powers that be have stated categorically: until there is a precise instruction from Moscow, the farmers will get nothing through the association.

Only toward the end of the day, when a long-awaited call from the ministry came in, did V. Bashmachnikov's mood improve somewhat. The articles and paragraphs of an agreement between the individual farmers and the government in the person of the Ministry of Agriculture and Foodstuffs have been finally been settled on, the final working-up of which will apparently take no more than a week. A business partnership with reciprocal obligations will be put into effect between the ministry and AKKOR but the details and process of the collaboration remain to be given concrete expression in the localities. The AKKOR president answered the last caller for the day, who had rung up by interurban telephone, already in optimistic tones...

*Former Minister Khlystun Calls for Agricultural Cooperative Banks

954E0820A Moscow FINANSOVYYE IZVESTIYA in Russian No 15, 2 Mar 95 p 2

[Article by Yelena Ishkova, ROSSIYSKIY FERMER columnist, written specially for FINANSOVYYE IZVESTIYA: "The Former Minister of Agriculture is Developing the Idea of Creating Agricultural Cooperative Banks in Russia"]

[FBIS Translated Text] The former Minister of Agriculture, Viktor Khlystun, who now occupies the post of deputy chairman of the board of Agroprombank, thinks that the problem of financing agriculture can be resolved in the long run with the help of a network of rural credit cooperatives which would begin to attract the spare funds of the population and issue loans to their members at first in small amounts but in the course of time also for the needs of production.

He explains the urgent nature of credit cooperatives by two reasons: by the large and untapped investment resources of a rural population that has been forced to hold its savings in a "money-box" and by its being cut off from loans. In V. Khlystun's opinion the Savings Bank (Sberbank), which is the closest to the rural inhabitant, pays too low interest rates on deposits and offers loans on unattractive terms and in limited amounts, and is often far removed from its clients. One cannot count on the commercial banks reaching out to the rural inhabitants. The inhabitants of the village need not joint-stock but cooperative banks, capable of attracting the small deposits of a large number of depositors and operating on more democratic principles.

How the future credit cooperatives will look in the details Khlystun is not as yet undertaking to predict. The only thing clear is that the ideas of the "father" of western credit cooperatives, Rayfayzen [as transliterated], will be the basis of Russian credit cooperatives. Khlystun emphasizes that the future cooperatives should not base themselves on some specific depositor or borrower, an individual farmer let's say. They should work with all rural inhabitants. Precisely thanks to such a principle the idea of credit cooperatives will not provoke the opposition of any political forces whatever.

The employees of collective enterprises, village teachers, doctors and pensioners will be able to be the members and borrowers of the credit cooperatives. At first loans for production needs will be unavailable to them, but later on the cooperatives will help solve all the financial problems of the village to a considerable extent, replacing the present system of its financing, the basis of which are centralized credits. The loans of the credit cooperatives at first will be for consumption, which, incidentally, has already brought success to the credit cooperative recently created in Tambov Oblast, and after that to invest in production.

V. Khlystun thinks that the law "On Rural Cooperatives" would be sufficient as the legal basis for a start, although later on, possibly, a special law on cooperative banks will be required. He believes that state participation in the initial capital of the credit cooperatives even on a reimbursable basis, although desirable, is hardly realistic. There is a danger that there will be enough budget money only for pilot projects and then an experiment risks always remaining an experiment. That is why it is better to reject state help straight off. At the same time credit cooperatives should be exempted from taxes in the first three to four years. The Central Bank's requirements for charter capital ought not be extended to them.

Cooperative banks of the Rayfayzen type and people's banks have withstood a century's test of time in the countries of Europe. And although reviving credit cooperatives in Russia 70 years after their forced liquidation is in the offing, V. Khlystun thinks that one will not be able to think of anything better for rural inhabitants and entrepreneurs. That is why a rather broad network of credit cooperatives would be able to emerge in the village already in the course of the next four to five years.

V. Khlystun proposes beginning the implementation of this idea in six or seven regions. The 1,200 departments and branches of Agroprombank could become an unique projectile of the local cooperative banks. And the Agroprombank itself could turn into the head cooperative bank in time.

The Analytical Center which Viktor Khlystun leads is prepared to act as the initiator of the creation of a working group of specialists from Agroprombank itself, the Central Bank, the Ministry of Finance, the Ministry of Agriculture and Foodstuffs, AKKOR (Association of the Peasant Farms and Agricultural Cooperatives of Russia) and the Agrarian Union, which should develop a program for the creation of credit cooperatives. The recruiting of specialists who are implementing a program of TATsIS [not further identified] consultative and technical assistance in Russia on the instructions of the European Community to this work is also anticipated.

*Peasant Party Meets, Will Cooperate With AKKOR

954E0753A Moscow KRESTYANSKAYA ROSSIYA in Russian No 9, 6-12 Mar 95 p 2

[Article by Olga Tugina: "The Russian Peasant Party Accuses"]

[FBIS Translated Text] The Fourth Congress of the Russian Peasant Party [KPR] was held in Moscow on 27-28 February. Speaking at the opening of the congress, party chairman Yuriy Chernichenko stated that "the Yeltsin-Chernomyrdin government has not found the resoluteness or the political will to implement its own decrees."

As a result of the political amorphousness of the authorities, in the opinion of the KPR, there has occurred in the state sector a tragic slaughtering of livestock, which, in its monstrous scope, repeats Stalin's slaughtering of livestock in 1929-1933. During a four-year period, the number of livestock slaughtered in the state sector was 16 million head of cattle, including almost 4 million cows, 14.5 million hogs, and almost 24 million sheep and goats. Russia's national wealth and every rural and urban family has suffered gigantic damages.

According to the KPR, the blame for this "crime against the peoples of Russia" lies with the "agrarian *nomenklatura*," "the executive authority in the center and in the outlying areas," and "the agencies of justice and the Procuracy."

Speaking about his plans for the future—and chiefly about the forthcoming election—Yuriy Chernichenko stated that the KPR will act together with AKKOR within the framework of the recently created Union of Russian Landowners," categorically rejecting the prospect of cooperating with the "Lapshin-Starodubtsevs."

*AKKOR's Bashmachnikov Notes Peasant Needs, Importance For Russia

954E0753B Moscow KRESTYANSKAYA ROSSIYA in Russian No 9, 6-12 Mar 95 p 1

[Untitled statement by Vladimir Bashmachnikov, president of AKKOR]

[FBIS Translated Text] For five years the burly peasants have been dragging the cart of the reforms in the Russian rural areas. The social-reform role of individual farmers is impossible to overestimate. Following their lead, the members of small agricultural cooperatives, the owners of private subsidiary farms, and orchard growers and vegetable-garden growers began to tackle the job more earnestly.

With the slump in production on the collective farms, it is definitely not the West's humanitarian aid that has saved Russia from starvation, but specifically the zealous efforts of the hard-working Russian peasants. If one totals up the results of the economic activity in all areas of the private sector, then their contribution exceeds half the country's food-products fund.

For those few individual farmers whose land is rather good and whose supply with technology is sufficient, the harvest yield, as a rule, in greater by a factor of 1.5 than on the adjacent collective farms. But most of the independent owners are working, at best, only half-heartedly. The reasons are obvious: The land that was given to them is worthless; only half the individually owned farms have their own tractors; and there is an impossible waiting list for getting long-term credit.

It is time for the officials to realize that society as a whole has a self-interest in the effective work of the independent owner. Private owners are capable, within a short period of time, of putting a vast amount of ecologically pure output on Russia's table. However, it is necessary to resort to a system of merciful measures that would enable the independent owners to work with a higher rate of return. We have repeatedly mentioned that both to the government and to the legislators, but nothing can be said about the economic desirability of the state policy with respect to representatives of small and medium-sized agrobusiness.

The Land Code has not yet been adopted, but the peasant is completely in need of a law that confirms his right to manage his own land. It is necessary to develop immediately a mechanism for allocating credit to the private sector that corresponds to the amount of land being occupied. Last year, individual farmers obtained only half as much credit per hectare as the collective farms did, but their return per unit of credit was twice as much.

Let us hope that the powers that be will hear the voice of the farmers' congress: We are in favor of cooperation with all the constructive forces that are fighting to give the Russian peasant the opportunity to work freely on his own land.

Because that is the only way that we can guarantee the further development of the reforms and the rapid prosperity of Russia.

*Agrarian Party Congress Stresses Impact on Production

954E0753C Moscow KRESTYANSKAYA ROSSIYA in Russian No 10, 20- 26 Mar 95 p 1

[Article by Aleksey Filatov: "50 Percent of Food Products Are Produced By Private Owners: The Sixth Congress of the Russian Association of Peasant (Individually Owned) Farms and Cooperatives Has Been Held in Moscow"]

[FBIS Translated Text] According to information provided by AKKOR [Association of Peasant (Individually Owned) Farms and Cooperatives of Russia] president Vladimir Bashmachnikov, who gave a report at the congress, today "private farmers have approximately 20 million hectares of land and produce more than 50 percent of the agricultural output produced in the country." In Bashmachnikov's opinion, today one of the main problems is the small amount of land owned by the peasants. Individual farmers have an average of only 42 hectares of land each. It is difficult for the peasants to expand their private plots.

Touching upon financial support for individual farmers, V. Bashmachnikov stated that that support has been decreasing from year to year, and this has been hindering the normal management of production. As a result of the shortage of funds, approximately 40,000 individual farmers have been ruined in recent years.

Aleksandr Zaveryukha, deputy chairman of the Russian Federation Government, placed a high evaluation of the activities of the individual farmers in the very complicated financial and economic conditions. In his words, the individual farmers "are the motivating force of the agrarian reforms; they show by their own example how it is necessary, in the very complicated conditions, not only to survive, but also to work effectively."

Most of those who spoke at the congress mentioned the difficult financial situation that has developed as a result of the disparity between the prices of manufactured and agricultural output, the *diktat* of the processors and machine-builders, and the lack of coordination between credit and tax policy. Anatoliy Chubays, the deputy prime minister of the government, attempted to answer all those questions. He assured those present that "Russia has always held on, and will continue to hold on, by means of the rural areas," and that the government has supported and will continue to support the agrarian sector of the economy. But the nature of that support will change fundamentally. It will not be according to the principle of "something for everyone," but depending upon the effectiveness of production. In this regard, the deputy prime minister reported that the government is preparing a decree concerning the peculiarities of the bankruptcy procedure for enterprises in the rural sector of the economy. The deputy prime minister requested the individual farmers to make a greater effort in promoting the execution of the recently promulgated governmental decree concerning the allocation of property and land shares. "We shall hold all the managers strictly accountable for carrying out the measures that have been planned," the deputy prime minister emphasized.

Nevertheless the individual farmers see their future not on administrative, but on economic paths of development. They warmly met the statement by Nikolay Komov, chairman of the Russian Committee for Land Resources and Land Management, who proposed specifically that kind of development for the rural economy. In his opinion, it is necessary to introduce a civilized land market and to channel the funds obtained from operations with the land into increasing agricultural production. However, this is being hampered by the legal vacuum—until the Land Code is adopted.

The congress requested the government to make appropriate adjustments in its policy with respect to the agro-industrial complex, and the system of individually owned farms in particular.

*Agrarian Party's Kharitonov Notes Burden Borne by Peasantry

954F0753D Moscow KRESTYANSKAYA ROSSIYA in Russian No 10, 20-26 Mar 95 p 1

[Untitled statement by Nikolay Kharitonov, deputy chairman of the Russian Agrarian Party]

[FBIS Translated Text] As you travel around the country, peasants everywhere ask the question: Where are the almost 14 trillion rubles [R] that were promised by the government for the APK [agro-industrial complex]? That is specifically the amount that was stipulated by the budget message for which the State Duma voted in the third reading.

Deputy Prime Minister Aleksandr Zaveryukha has repeated several times that a request has been made at the Central Bank, for the first half-year alone, for R12 trillion, including R6 trillion for the first quarter and the beginning of the second quarter. But there is no money. Not a penny. The peasant does not have anything today with which he can pay for fuel, spare parts, seeds, fertilizers, or the springtime agromeasures in the fields. Everything has been stopped. The pool of machinery and tractors is in a terrible condition. A month ago, at a meeting with Aleksandr Nazarchuk, minister of agriculture and food products, even the managers of major agricultural enterprises and peasant and individually owned farms grumbled that, even with consideration of the peasant's mental acuity, Russia is capable of carrying out the forthcoming sowing by the optimal deadlines at a rate of only 76 percent. Now even that is being questioned. Last year, 15 million hectares of plowland remained unused. If one considers that there is a total of 130 million hectares of this land and if, say, an additional 18-20 million "disappear" during this season, then the country will not get anything in exchange for all the work done.

In this regard the Agrarian Party has major squabbles with its representatives in the government—with Deputy Prime Minister A. Zaveryukha, Minister A. Nazarchuk, and Russian Federation Committee on Land Resources and Land Management Chairman N. Komov. But they too have a difficult task. What can three agrarians do in V. Chernomyrdin's 42-man Cabinet? Recently in Novosibirsk, speaking before representatives of the regional peasantry, A. Nazarchuk stated outright, "People in the government do not understand me." That is more than strange. Open up the message of the president of Russia to the Federal Assembly, to page 24. He states in black and white that Russia is an agrarian country that, for a long period of time, will need state support. How, then, is one supposed to understand what is happening? Because right now this is, so to speak, like slow death: One spring day is supposed to feed us for a year! We are on the brink of catastrophe. I am afraid that the country will have a very profound disappointment in the autumn.

The coordinating committee for the collective actions of workers in the APK intends to conduct in Moscow on 5 April an All-Russian Assembly of Agricultural Producers. We want the country's leadership to hear not political incantations, but the genuine pain of the peasantry, a pain that is proceeding from the greatest depths of the nation, and we want that leadership to react adequately.

*Agrarian Party Declaration on Peasants' Burden Noted

954E0753E Moscow KRESTYANSKAYA ROSSIYA in Russian No 10, 20- 26 Mar 95 p 2

[Unattributed article: "'The Peasant Is Being Forced To Eat Soup With a Fork'"]

[FBIS Translated Text] The Russian Agrarian Party faction in the State Duma has adopted a declaration concerning the situation in the country's agro-industrial complex. The purpose of the declaration is to open the eyes of the Russians to the true state of affairs with the supplying of food products, so that, in turn, they can "evaluate the 'rate of results' of the present course of reforms." In the faction's opinion, the essence of these reforms consists in the sophisticated stifling of the domestic producer and the providing of maximum support to the Western farmer.

According to data provided by the APR [Russian Agrarian Party], since the beginning of the reforms the consumption by the Russian population of the most valuable food products—meat, milk, butter, sugar—has decreased by one-fourth. The ruination of the rural areas—not only the individual farmers, but also the collective farms—is continuing. During the first two months of this year alone, the production of output from animal husbandry dropped by one-third. There continues to be a reduction in the productivity of livestock, as well as slaughter on a massive scale—breeding livestock and young animals are going under the knife.

The results of peasant labor have absolutely no value today. The wages in the rural areas are the lowest ones, and even then they are paid only two or three times a year. Approximately 50 percent of the farms ended last year with losses.

As a result of the situation that has developed, the APR demands the strictest observance of the law entitled "On Purchases and Shipments of Agricultural Output...", the restoration of price parity, the guaranteed payment of advances to rural workers against the output to be produced in the future harvest, and the rendering of timely financial aid for the springtime field operations.

However, the APR recognizes that its proposals have not been getting any attention. As a result, the rural areas today, essentially speaking, are not ready for the sowing. In this situation, in the opinion of the APR, the president's appeal to carry out the spring sowing in an organized manner sounds like an insult to the peasants.

The Russian Federation Government, in the opinion of the APR, has been extremely tardy in adopting a decree that defines the conditions for the functioning of the agro-industrial complex in 1995. Time has been lost, and it is difficult to correct the situation. As the declaration states, a spoon is very useful in eating dinner, but once again the peasant is being forced to eat soup with a fork.

According to APR information, today many people already understand that in order to achieve a fundamental correction in the situation, in order to stop the collapse of the country and the rural areas, it is necessary to make major adjustments in the course of the reforms. The declaration asks whether the current authority is capable of doing this. The APR assumes that for every clear-thinking person, when he encounters the day-to-day reality, the answer to that question is clear: The regime that is currently in power is not up to this.

National Affairs

*Chornovil Profiled as Politician

954F1930A Kiev KIYEVSKIYE VEDOMOSTI in Russian 23 Mar 95 p 3

[Article by Yuriy Lukanov, political observer of UNIAN, especially for KIYEVSKIYE VEDOMOSTI: "Strength and Weakness of the 'Troublemaker'"]

[FBIS Translated Text] Among the multitude of questions that sociologists could put to members of the Communist Party of Ukraine, it would be superfluous asking merely one: For which politician have they the least affection? Without any doubt: Vyacheslav Chornovil would be far ahead of others on the list of possible names.

Vyacheslav Maksimovich convinced himself on the basis of the experience of a prisoner of the Siberian camps that "Communism Is the Blind Alley of Civilization" (as a conference conducted on the initiative of himself and Rukh was entitled), and however you might try and budge him, Chornovil recalls this even when, it would seem, he should not be antagonizing the Reds, otherwise they will vote against the decision he wants. This evokes no delight among the admirers of Marx and Engels, of course.

Levko Lukyanenko spent somewhat longer than Chornovil in the camps for his struggle against the Communists and their regime. And former political prisoner Mykhaylo Horyn is the head of just as anti-Communist a party as Rukh. One further political prisoner, Stepan Khmara, delivers anti-Communist speeches no less often and no less and even more emotionally than Chornovil. Several other examples could be cited here. But why is it Chornovil that the followers of Vladimir Ilich Lenin dislike more than the others?

Chornovil's tragedy is that such a question may be put also to his associates in prison and the creation of Rukh. He is not especially loved by many of them, either. And it is not only, most likely, a question of the fact that Mr. Vyacheslav, in spite of the pressure on the part of other Rukh leaders, did not allow the organization to become a prop for President Kravchuk. A considerable amount of time has elapsed since then, and some of Chornovil's opponents have acknowledged that position of theirs to have been a mistake. Ideological contradictions have been removed, and attempts may be made once again to unite efforts, seemingly. I'm afraid not! Something is preventing this. And differences of views have nothing to do with it here, probably.

He is being reproached with very many things. Insufficient diplomacy. An inability to decide practical matters. Insufficient ability to listen to an opponent. It is declared in confirmation that, did he not have these shortcomings, Rukh would have strengthened to the extent that it could have forced the appropriate authorities to have investigated the case Mykhaylo Boychyshyn, chairman of the Rukh Secretariat, who has disappeared. He could have united Eastern and Western Ukraine. He could have taken power and, if not have carried through, at least have started reforms. Chornovil, of course, has an answer to these rebukes. As a result, the national democratic movement has been in a divided state for three years now. The tragedy of this situation has been recognized, it would seem, by all supporters of the national democrats. And were a force capable of uniting them to be found, this would truly be a blessing for Ukraine.

If the rebukes are just, and were Chornovil to become balanced and diplomatic like, for example, Academician Igor Yukhnovskyy, he would no longer be Chornovil. And without his temperament, the Supreme Council would be even more reminiscent of the Land of Nod. Without his energy and emotion, we cannot be sure that the protest organized by Chornovil and his supporters in parliament's meeting hall, when the Communists, in breach of standing orders, strove to revive their banned party, would have been successful. And the question of the resumption of the guiding and directing role could very well have arisen. And we would have started to live as in the good old days.

*Developments in Odessa Oblast, City Conflict Detailed

954K0546A Kiev VECHIRNIY KYYIV in Ukrainian 23 Mar 95 p 2

[Article by V. Kurinnyy, commentator of the Odessa newspaper YUG, special to VECHIRNIY KYYIV: "Hurvyts Contra Bodelan"]

[FBIS Translated Text] The conflict between the Odessa Oblast and Odessa City Councils which had advanced to the stage of parliamentary consideration still was not resolved. None of the decisions passed; thereafter, the budget dispute smoothly faded from an active to a passive form.

A brief history of the issue follows. As the Odessa Oblast Council led by Ruslan Bodelan was distributing revenues from the income tax on citizens in 1994, it left...one percent for the city budget (50 percent went to the city budget, and 49 percent—to the oblast budget). All of this happened under Chairman of the Odessa City Council L. Cherneha, a person who had the reputation of being a "weakling." Nobody in particular protested or took offense.

Members of a supposedly informal bloc, "Kuchma-Bodelan-Hurvyts," won elections to the posts of both mayor and governor. As is known, the first of them became president, the second became governor, and Eduard Hurvyts was elected chairman of the city council (mayor). Mr. Hurvyts is the exact opposite of his predecessor. He was a promoter of the Odessa Free Economic Zone, an innovator in Zhovtnevyy Rayon of the city (the historical downtown of Odessa); he has never belonged to the CPSU, he has been a cooperative member, and he is Jewish, to boot.

Even before the elections in Odessa many people pointed to the strangeness of an alliance between R. Bodelan, ex-first secretary of the Odessa Oblast Committee of the Communist Party, and the cooperator-entrepreneur Ye.

Hurvyts, who was friends with Vyacheslav Chornovil and who put up in his office a portrait of A. Sakharov (rather than Lenin).

After both of them won the appearance of friendship was most probably artificially maintained. Too much kept these people apart, and it still does. The decision of an oblast council session about applying the 1994 pattern of distribution of tax revenues in 1995 became the pretext for breaking up.

The response of E. Hurvyts was instantaneous. He convened an extraordinary session of the city council which found R. Bodelan's instructions and the decisions of the oblast council on tax revenues to be illegal and not binding in the territory of the city. The city deputies also threatened that the issue of putting up to a city-wide referendum the demand to grant Odessa the status of a city reporting to state authorities (in the same vein as Kiev or Sevastopol) would be raised if this conflict were not settled in the main in accordance with the law. In addition, the member of parliament Hurvyts, having put together a team of lawyers, set out for Kiev in order to make sure that the Supreme Council and its agencies see justice done.

Meanwhile, the dispute proceeded on the pages of Odessa's newspapers and on TV screens. Supporters of the oblast council counted it among the organs of local self-government which stripped the opponents of their trump card—Article II of the Law on Local Self-Government which reads: 100 percent of the income tax is to be retained by the budget of the organs of local self-government. Many lawyers who practice in Odessa took Hurvyts's side, even the rule-of-law commission of the oblast council. All of them believe that an oblast council is not an organ of local self-government.

The Commission of the Supreme Council for Legal Policy and Judicial and Legal Reforms, the legal department of the Supreme Council, and Mr. Steshenko's commission (to which, incidentally, R. Bodelan himself belongs) supported the position of the Odessa City Council. Even Speaker of the Parliament O. Moroz sent a letter to Bodelan expressing his wish (!?) that the decision of the oblast council be reconsidered. The issue of the dispute itself was put on the agenda of parliament members.

Simultaneously the Bodelan-Hurvyts confrontation mounted on other "fronts." The Oblast Executive Committee took away the premises of an inter-school training and production combine and handed the premises over to customs personnel. The City Executive Council canceled this decision. A dispute over a commercial TV channel, the most popular one in Odessa, erupted. An audit of the use of an off-budget fund of the City Executive Committee by oblast bodies began. Hurvyts supported the construction of an oil terminal in the vicinity of Odessa while Bodelan was against. In their TV presentations, one began to intensely berate the old party nomenklatura while the other berated populists. The audience recognizes immediately who this is about: in the first instance, it is about a person whose career has been made exclusively in CPSU organs, and in the second—about free-of-charge streetcar and trolley-bus transportation, a creation of Ye. Hurvyts. Finally, an affair surfaced which involved an attempt to export grain from the state reserve that was purchased at price-dumping prices supposedly for one of the kolkhozes at the request of...Volodymyr Bodelan, chairman of the Kiliya Rayon Council and Ruslan's blood brother.

However, E. Hurvyts bet for the most part on a parliamentary decision, but it was not passed. Yet another adversary of Mr. Hurvyts, Deputy and ex-Adviser to President Kravchuk Valentyn Symonenko who joined Mr. Bodelan in the Independence parliamentary group was instrumental in this. Ruslan Borysovych was also supported by the "left-wing" factions of the Supreme Council. M. Myaskivskyy, a member of parliament and first secretary of the Odessa Oblast Committee of the Communist Party of Ukraine, spoke eloquently on this point. He stated that although the law is on Hurvyts's side, feasibility nonetheless demands....

Meanwhile, the budget of a city of 1 million which has the largest port takes in 1 percent of all tax revenues (except the land tax). In turn, this has aggravated the situation with the payment of wages to the employees of the budget-financed sectors and forced the city authorities to raise tribute from commercial structures. To be sure, there have been symptoms of a different kind. Recently, a session of the City Council in the city of Ilyichevsk passed the same resolution as the Odessa City Council proceeding from Article II of the Law on Local Self-Government. It is hard for Mr. Hurvyts to fight back, but the game is far from over.

*Causes of Interconfessional Religious Conflict Viewed

954K0555A Kiev SILSKI VISTI in Ukrainian 24 Mar 95 p 1

[Article by V. Yakovenko under the rubric "Problem": "Who Benefits From This? Some Points on the Religious Situation in Ukraine"]

[FBIS Translated Text] **An appeal by the leaders of religious centers and associations of Ukraine to the people which was recently published attracted the attention of not just believers but also atheists. The authors emphasize that their appeal to the people at this difficult and complicated moment has been prompted by an interdenominational misunderstanding. This does not call for any comments.**

Such a religious misunderstanding is without precedent in the history of Ukraine. Interdenominational troubles have reached a climax; they even frequently end in fights between the clergy and the believers which have to be broken up by law enforcement organs.

What was the impulse for tensions in the religious life of Ukraine?

During preparations for the election of the first president of Ukraine, a leaflet surfaced which was called "A Free Church in a Free State." It went on to say that this particular motto is "one of the key principles of an extensive program for the spiritual rebirth of Ukraine which has been proposed by candidate for president of Ukraine Leonid Makarovych Kravchuk."

The leaflet did not explain which particular church should be free of whom. As it is, the church in Ukraine had long been separated from the state. This is how many leaders of religious centers and associations became concerned. As it is, Roman and Greek Catholic, Evangelical Christian-Baptist, Seventh Day Adventist, Jehovah's Witnesses and other religious denominations are subordinated to their universal and worldwide centers. For this reason, they had difficulty understanding how they were to become "free." Were they to sever ties with their centers, or what?

The Ukrainian Orthodox Church interpreted the content of the leaflet in its own way. Now that Ukraine has become an independent state, they said, the Ukrainian Orthodox Church should also become such and have its own patriarch in Kiev. The Council for Religious Affairs of the Cabinet of Ministers stated its thoughts on the subject: The problem of autocephaly for the Ukrainian Orthodox Church is completely legitimate, and in the long run it is to be resolved favorably. However, such a landmark issue of the church cannot be resolved on someone's command; willful haste may cause unpredictable consequences.

As history tells us, autocephaly has always been slow in coming. For example, the Russian Orthodox Church gained independence from the Byzantine Church (parent church) in 140 years, and the Georgian Church gained independence from the Russian Church in 130 years. The Bulgarian, Hellenic, and Romanian Churches waited for independence for dozens of years. The American Orthodox Church has not lived to see the recognition of its independence to this day.

Throughout the world, it is believed that each church is subject only to its own God and the doctrine of its faith. The French Emperor Napoleon Bonapart cherished plans of creating his own state church. The first Reich's Chancellor of the German Empire Bismarck planned to establish the Lutheran Church as the state church, stripping the Catholic Church of all rights. CPSU General Secretary Iosif Stalin decided to eliminate the undesirable Ukrainian Greek Catholic Church. However, as is known, not one of them succeeded in carrying out his plans in the religious sphere.

Unfortunately, nobody took into account the thought of the Committee for Religious Affairs of the Council of Ministers. Moreover, a sharp deterioration in the religious situation in Ukraine notwithstanding, the Council for Religious Affairs was decapitated. The chairman of the council, his first deputy, and one of the deputies who had worked in this state organ for 10-20 years and had considerable experience were almost simultaneously dismissed from their jobs without any warning or explanation. Who took the vacated seats? The nominees of movements and parties which to date had not worked a day in this peculiar area, and had no experience.

Meanwhile, the religious situation became increasingly more complicated. The schism in the Ukrainian Orthodox Church gave rise to particular concern. Discord, confrontation, and a belligerent environment in the largest and most influential church affected other denominations unfavorably, too. Trouble began to brew in Jewish communities, among the Muslims, etc. This was exacerbated by the fact that certain people's deputies, movements, and parties which expected to reap political dividends set out to politicize religion and thus did considerable damage to society.

The problem of houses of worship became particularly acute. Edict of the President of 4 March 1992 on Measures to Return Denominational Assets to Religious Organizations has not been carried out to this day. Moreover, former representatives of the president in the Lvov, Ivano-Frankovsk, and Ternopol areas made decisions and issued directives on the subject which ran counter to legislation in effect. This also influenced the religious situation unfavorably.

The religious situation was aggravated through the establishment of non-traditional religious schools in Ukraine by foreign missionaries (the Charismatics, the Mormons, the Moonies, variations of Oriental religions). The notorious Great White Brotherhood did particular harm.

In particular, this became possible as a result of imperfections in legislation on religion. The Law on Freedom of Conscience and Religious Organizations read: "Notifying state organs about the creation of religious communities is not required." By now it is clear to all what such superfreedom has brought about. The destabilization of the religious situation has surpassed all projections. Much of the blame for this goes to the new leadership of the Council for Religious Affairs of the Cabinet of Ministers of Ukraine which turned out to be incapable of solving acute religious problems. Later it went from bad to worse: Instead of reinforcing the Council for Religious Affairs with personnel capable of successfully solving religious problems, the president of Ukraine eliminated this state organ altogether.

Let us recall that in its time the leadership of the Russian Federation allowed similar imprudence to occur. However, over there they caught on to it in a timely manner and established a special Commission for the Issues of Religious Associations under the government.

So, let us think together: Who is to blame for confrontation prevailing in certain religious denominations in Ukraine and for not just the believers but also the clergy letting their fists fly? Would it not be worthwhile to advise the leaders of denominations in which discord prevails to come to an agreement among themselves and to find ways toward reconciliation and accord (representatives of the authorities should take care of this). Without any doubt, the believers will support their leaders.

The withdrawal of Pentecostals from the VSEKhB [All-Union Council of Evangelical Christians-Baptists]. As is known, the Pentecostals had been driven into the VSEKhB "forcibly" because previously it had been forbidden to register Pentecostals outside of the VSEKhB. As soon as the Ukrainian state acknowledged the right of religious communities to change their affiliation or to create a new center, Baptist and Pentecostal leaders, having sat down at a negotiating table, arrived at the same idea: It is necessary to part ways voluntarily, amicably, and without any complications, which was done. About 400 Pentecostal communities withdrew from the VSEKhB. They held their own congress, set up their center, and elected its leadership. For this reason, the division proceeded without the least misunderstanding.

Thus, life has indicated that if there is a will the most burning religious problems may be resolved wisely, quietly, in a businesslike manner, and without complications.

The appeal mentioned at the beginning of this article reads: "The time has come to erect our own home, a free and happy Ukraine, through a joint effort and conscientious work." This is well put. The issues of spirituality and ethics always were, still are, and will continue to be the most complex issues in human life, especially during a societal transformation. This is all the more important for us because there are serious flaws in the spirituality of the people of Ukraine. Meanwhile, a spiritual crisis is much more terrifying than an economic crisis. As it is, the problem of a shortage of agricultural products may be solved in one year with a bumper crop whereas nobody has yet succeeded in overcoming troubles in the spiritual sphere within a year. It should be remembered that a spiritual crisis may bring about such a degradation of morality in our society that it will affect not only our children but also our grandchildren and great grandchildren. Therefore, everyone, religious organizations included, should draw conclusions: If we allow major mistakes to occur in this area our progeny will not forgive us.

Economic Issues

*Chernyak Criticizes Reform Policy

954F1929A Kiev GOLOS UKRAINY in Russian 22 Mar 95 p 8

[Article by Professor Vladimir Chernyak, Doctor of Economic Sciences: "How To Overcome the Transitional Period. Ideology of Reform of the Economy in Ukraine"]

[FBIS Translated Text]

From Utopia to Utopia

The utopia of communism has come to be replaced by the utopia of the market (the utopia of market self-regulation). We are building the market as we built communism. We cannot sacrifice the modern generation of people in the name of a bright capitalist future in the same way that we earlier sacrificed them in the name of the bright communist future. I am beside myself when I hear the invocation for increasing numbers of new victims to be sacrificed on the altar of reforms. I am and have long been, what is more, a marketeer, and it is painful for me to see how the idea of the market is being discredited. Each new price rise is called an extension of the reforms and one further step en route to the market. The name of market has been given to what it is not. Functions that are uncharacteristic of it are being ascribed to the market.

Let us start with the fact that the market cannot do everything (it cannot, for example, regulate the prices of natural monopoly operators). Profound structural changes of the economic system and the resolution of a whole number of global problems are possible not on the basis of market stimuli but only with the aid of state programming.

Second, there is much that the market does badly. Specifically, it makes a poor job of tackling social issues (everywhere in the world the state decides questions of the redistribution of wealth and a lessening of the degree of social inequality) and also of questions of the development of the nonproduction sphere.

For this reason, built-in regulators adjusting the action of the market are applied everywhere. The capital market and the labor market and, particularly, relations between them, are regulated to this extent or the other everywhere in the world.

Nowhere in the world is there market self-regulation in pure form, even in such a liberalized country as the United States. I studied this question there, on the spot, and concluded that the U.S. economy is more regulated than the model that is being proposed by certain Western advisers for Ukraine. Not to mention the European countries, particularly those in which a socially oriented market economy functions.

The reverse side of market-mania is market-phobia. There is reason to believe that in Ukraine economic policy has formed an anti-market majority, and this is making extremely complicated the implementation of truly market transformations. The fewer there are of those who are deriving a real benefit from the changes that have begun, the narrower the social base of the reforms. The purpose of reforms is to improve life, not make it worse. Was there a deterioration in life in other countries that embarked on the path of reforms? Yes, there was, but short-term and skin-deep: In the Czech Republic it lasted six months, in Poland, nine months.

Ritual Dances Around the Budget

Our reformers have a "sacred cow"—this is the budget. I do not wish to downplay the significance of fiscal policy, but nor can I agree with the conversion of the question of the budget deficit into the most important question of economic policy. The government is attempting for the current year to put together a budget with a deficit of 5 percent. Ritual dances are being performed around this value. I will say frankly that I am always affected by the negligent scholar's attempt to adapt a solution to a predetermined answer.

The heart of the matter is not only and not so much the size of the budget deficit. This issue is, in a sense, secondary. The following questions are of more importance. First, what goes to cover the deficit (it is one thing when it is covered by the issue of credit by the National Bank, by nonissue sources, quite another). Second, how the balance between the revenue and expenditure sides of the budget is achieved. If the question of the budget deficit is to be tackled, it is essential to put the emphasis not on a lessening of expenditure, but on an increase in revenue. It is essential to move from revenue toward expenditure, not the other way about. Now the government is reducing spending with the sole purpose of not going beyond the limits of a particular size of the deficit (initially 5, then 6.4, now 7.3 percent). Third, whether a policy of reforms or a policy of patching up holes is pursued.

An attempt to adapt a solution to a predetermined answer is fundamentally unsound. The result is this: Let the economy die, the budget deficit will be low. This reminds me of a joke. The doctor prescribed pills for a patient, but he died. The doctor asked the deceased's family: "Did the patient perspire before he died?" "Yes," they replied. "This is good," the doctor said.

Does Ukraine Need a Pinochet?

There is another pole, opposite to "self-tuning," in views on the ideology of reform in Ukraine. It essentially amounts to the use of a "strong hand."

We are standing at a frontier beyond which are irreversible changes. I am reminded of the Titanic, which was in a zone of irreversible momentum and ran into an iceberg. The nostalgia for a "strong hand" is a natural concomitant of chaos and confusion. The idea that Ukraine needs its own General Pinochet is being mulled increasingly often both within the political establishment and among ordinary folk also.

I do not exclude the possibility of the realization of a model of the authoritarian modernization of Ukraine. But there is the danger here that its result might be not so much reform as an intensification of the crisis phenomena. As far as Pinochet is concerned, it should be noted that he undertook liberal reforms in a monetarist style. But, as statistics testify, the pronounced improvement in the economic situation in Chile occurred after he had left the political Olympus after having been there for 15 years.

It would be no exaggeration to say that there is one sole crisis in Ukraine—the crisis of power. All the other crises are derivative. Our main problem is that of the effectiveness of power. Yes, we need a general, not Pinochet, but de Gaulle (and a general not in the literal meaning of the word). We need, rather, not the experience of Chile of the times of Pinochet, but that of France of the times of de Gaulle. Specifically, de Gaulle used as a means of overcoming the chaos (considerably less than with us) economic forecasting and planning. I am convinced that today's slogan for Ukraine could be formulated as follows: From a planned economy to economic planning. Let us glance back not at Latin America but at Europe (at Germany of the times of Ludwig Erhard, France of the times of de Gaulle, and the Czech Republic of the times of Vaclav Havel and Vaclav Klaus). Valuable experience for us could be derived in the countries of Southeast Asia also. But we must not mechanically transfer others' experience onto our soil. Ukraine has to negotiate its own path, taking advantage of world experience and taking account of its own specific features.

We need the strength of power, not the power of strength. We are more in need of strong heads than "strong hands." If someone says that he lacks power, this is a symptom of the fact that he lacks intellect. Let us make up our minds what we want: either to distribute the functions of different branches or to redistribute power in favor of its executive branch. This is the question. I am for strong, effective power, but based on a distribution of functions. This question needs to be decided in principle, not to accommodate specific people.

There is much discussion currently surrounding the question of the vertical line of power. Yes, it needs to be arranged and formed, but with regard to one telling detail: A strict power vertical with an enormous number of levels is dangerous, for it could intensify the estrangement of society from power that exists in our country, and this is the way to neo-totalitarianism.

Which Path Is Shorter?

It is impossible to switch all at once to a market economy in its unrestricted, pure form. Reform is a process, a chain of consecutive steps. It is impossible to cross the transitional period in a single bound. The transitional period is not a gulf, which has to be jumped, but a mire, which needs to be overcome by gradually and consistently building bridges ahead of oneself. The transitional period requires great skill in economic policy. Haste does not bring closer, but moves further away the entry into a market economy that is functioning normally. Service of the market does not tolerate vain bustle. The heart of the matter is not the speed of progress on the path leading to the market, but the choice of the shortest path and observance of the principle of consistency of action. Transformations may be accomplished only as the economy is ready to accept them. Transformation should be phased.

And what about shock therapy, the perceptive reader will ask. The answer is simple: If reforms are undertaken by the radical-spurt method, they need to be undertaken swiftly, as was the case in Poland, for example. A modified shock therapy version cannot be dragged out for four years running, as is the case with us (there is no end of the shock without therapy in sight).

The least painful and, as a rule, shortest path to a civilized market runs via comprehensive institutional changes (the conversion of property relations, formation of a competitive environment, design of the infrastructure of the market, reform of the monetary, financial, and banking systems, and the creation of favorable conditions for the development of enterprise). A most important reason for the profound crisis of our economy is the attempt to switch to the market by means of the liberalization of prices, not by way of institutional changes. As far as liberalization is concerned, we need first and foremost liberalization of tax and credit policy and also of foreign economic activity. Without price liberalization, transition to the market is impossible, but price liberalization cannot be made the cornerstone of the economic reform.

Urgently Needed Change in Economic Policy

We are not talking about a one-time act, but about a large-scale strategic maneuver. The essence of the urgently needed change in economic policy consists of a transition from "liberalism" and monetarism to institutionalism. Economic development cannot be reduced to a one-dimensional "market balance." Even under the conditions of developed market relations, and under the conditions of the transitional period even less. The nature and direction of economic development are determined not by the market in itself but by the entire prevailing system of economic institutions (the market, small-scale and medium-sized enterprise, the corporation, the state, social control over economic and financial activity). Institutional policy is the basis of the surmounting of monopolism and the domination of the financial oligarchy, crisis, and chaos. A whole number of institutional measures was employed in the period of Roosevelt's term in office. Programming and indicative planning were employed in France, particularly in the times of de Gaulle. Keynesian prescriptions of anti-crisis regulation are pertinent for us.

It has become obvious that not a neo-liberalist but an institutional model of the market is more acceptable for Ukraine. It is essential in this connection to proceed toward an emphatic renewal of the strategy and tactics of the reforms. A change toward institutionalism is connected both with the implementation of institutional changes and a revitalization of business activity and investment policy, a stimulation of state regulation of the economy, and the introduction of social indicators. This does not mean a return to administrative-command methods (of which we have sufficient at this time, incidentally). The pursuit of an institutional policy is connected with indicative planning and programming and the elaboration and realization of investment and social programs.

Proceeding from the situation that has come about in the economy of Ukraine, the main priority of economic policy should be not financial stabilization based on monetarist methods, but the revitalization and stimulation of production, the creation of a favorable investment climate, and the increased competitiveness of our goods. As far as stabilization is concerned, the question that should be raised, in my view, is not that of financial but of macroeconomic stabilization. Financial stabilization cannot be achieved only by financial methods, without reference to production. Financial stabilization is possible only in the context of macroeconomic stabilization. Concerning liberalization, incidentally, the question that needs to be raised, in my view, is not only and not so much one of the liberalization of prices as of the liberalization of economic activity and the liberalization of tax and credit policy.

It is impossible to thoroughly solve a single economic or social problem without having solved the question of productivity. It is incomprehensible why this question has been overshadowed. An increase in productivity is connected with new technology and new incentives to labor. This should not be forgotten either, since the introduction of scientific and technical achievements in the national economy is the main engine of economic progress.

Belarus

*Minister Explains Privatization Edict

954K0553A Minsk ZVYAZDA in Belarusian
11 Mar 95 pp 1, 3

[Interview with Heorhiy Badzey, minister for the management of state property and privatization of Belarus, by ZVYAZDA correspondent Alyaksandr Shchadranok; place and date not given: "Heorhiy Badzey: 'Nobody Intends to Either Curtail Privatization or Thoughtlessly Urge It On. At Issue Is a Conscious Reform of Ownership Which Should Result in Truly Favorable Changes in the Economy'"]

[FBIS Translated Text] **Supporters of privatization waited for more than eight months for the president to sign an edict on speeding up the reform of state property. Although all the necessary legislative and regulatory facilities in the republic had long been provided, perhaps the most important ingredient was missing—the political will of the leadership. The president expressed his attitude toward privatization one week ago, having signed the Edict on Measures to Improve the Reform of State Property. A ZVYAZDA correspondent has asked Heorhiy Badzey, minister for the management of state property and privatization of Belarus, to comment on the main provisions of this document.**

[Badzey] It is known that in recent months the attitude toward privatization has been equivocal. During the presidential election campaign and thereafter statements have repeatedly been made to the effect that not all aspects of our privatization are regular, and that it was even "grab-it-ization." In turn, as we were verifying compliance with legislation in the practice of denationalization, we uncovered a great deal of instances in which "liberties" were taken with the disposal of state property at the initial stage (before legislation on privatization was developed), especially during the period of establishment of small enterprises. State property was transferred to the statutory funds of small enterprises, cooperatives, and other structures which were subsequently transformed from state into private, collective, etc. enterprises. The unlawful appropriation of state property occurred in this manner. This is why the edict instructed us to complete the verification of records on the appropriation of state property jointly with the prosecutor's office and decide the fate of property which has been transferred in violation of the law.

In addition, certain tactical errors in the conduct of denationalization contributed to the unfavorable image of privatization. Therefore, it is necessary for us to make a number of changes in legislative and regulatory facilities in order to carry out an open and accessible privatization from the standpoint of defending the interests of the state and the citizens.

The second point of the edict indicates that we should take an inventory of property and build a database. As of now, nobody knows precisely how much property the state has. It is necessary to take an inventory and assess the property, including in terms of foreign exchange, in order to manage it effectively.

[Shchadranok] Therefore, nobody intends to curtail privatization; on the contrary, it is planned to speed it up....

[Badzey] Nobody intends to either curtail privatization or thoughtlessly urge it on. At issue is a conscious reform of ownership which should result in truly favorable changes in the economy.

Previously, enterprises were converted into joint stock companies only on the initiative of labor collectives or sectoral ministries whereas the edict gives the Ministry of State Property the right to initiate conversion into joint stock operations, too. We will separate the issues of denationalization and privatization in our efforts. We will effect denationalization by converting state enterprises into joint stock companies. Later, stock becomes the subject matter of privatization in our case. The edict says that tenders and auctions should become the main forms of stock sales because such is the most democratic privatization which is open to all. On the other hand, we will not reject other forms of sale: sales to enterprise employees, through the branches of the Savings Bank, and through the Belarusian Stock Exchange.

[Shchadranok] The Ministry of State Property had the right to carry out conversion into joint stock operations on its own initiative before, did it not?

[Badzey] We wanted this right to be additionally reaffirmed in the edict of the president in order to avoid various accusations. Within just a few days of the signing of the edict, a representative of the trade unions of Belarus stated categorically that he was against conversions into joint stock operations being effected without coordination with labor collectives. However, let him suggest another way to start up enterprises so that the people will work five days a week rather than three. Trade unions will demand wages, but where are funds to be had? When we suggest giving enterprises a free hand through conversion to joint stock ownership so that they will find adequate sources of financing and working capital and provide jobs for the people, voices of protest are heard again.

[Shchadranok] However, there have been a number of instances in which the financial and economic standing of enterprises failed to improve following privatization. Many collectives have received "extortionate" bank loans in order to buy out the state. It is not all that easy to secure investment in production facilities with depreciated and obsolete fixed assets and technologies. Will the issue of channelling the proceeds of privatization into a special fund for supporting privatized enterprises rather than the budget be resolved at all?

[Badzey] We did not set the task of solving, with the help of the edict, all problems which arise in the course of our work. To be sure, all proceeds of privatization are now channelled to the budget. Logically, this is the way it should be because these are funds received in payment for state property. On the other hand, it is necessary to support enterprises; for this reason, there is a provision in the edict concerning the attraction of investors to the privatized enterprises. When a state enterprise is transformed into a publicly held joint stock company it is permitted to contribute to the statutory fund of this company, in addition to the privatized state property, other property or funds which belong to the founders or partners in the company, including foreign, with the volume of the statutory fund being increased by a value equal to the cost of such property or the size of such funds.

We are already giving this provision an actual "test drive" at the "Minsk Heating Equipment Plant" joint stock company where A. Klimov's small enterprise has contributed more than $1 million to the statutory fund. As a result, the enterprise began working without down time, and product output increased. Had Klimov purchased shares with this $1 million, as within our previous arrangement, these funds would have been channelled to the budget and the enterprise would have been left to idle. As of now, we have similar offers for 10 enterprises. I count on this number growing considerably after the signing of the edict.

[Shchadranok] Last year, the privatization program was not carried out. Considerably less was reformed than 20 percent of the value of fixed assets slated for privatization in 1994. Meanwhile, in a situation when enterprises were virtually not converted to joint stock operations, the population continued to receive "Property" vouchers. This brought about a great imbalance between the volume of issued checks and the shares offered in return for them. Specialists find that if the conversion of enterprises into joint stock operations begins today it will not be possible to put up their stock for sale before the end of the year.

[Badzey] There is a certain imbalance. However, to my mind, within four months we will have saturated the market with the stock of enterprises. In 1995, 365 enterprises will be converted into joint stock operations on the initiative of sectoral ministries and about as many on our initiative. I believe that it is within our power to convert about 50 percent of the cost of fixed assets into joint stock operations this year.

[Shchadranok] Indeed, many things need to be done, but do you not think that a lot of time has been lost? During our meeting almost half a year ago, as everyone was waiting for the president to sign the edict any minute, you observed that nothing stands in the way of the Ministry of State Property working in the absence of the edict. However, there was no edict, and privatization in the republic has been practically curtailed.

[Badzey] Quantitative indicators do not necessarily reflect the situation adequately. There was no edict but we privatized 184 enterprises owned by the republic last year. In January and February of this year, we privatized another 20 enterprises. However, our work is assessed not only in terms of the number of privatized enterprises. We began to hold auctions to sell shares. In November, we sold at trading sessions blocks of shares of five enterprises for cash; the esteemed prosecutor general frustrated an interesting auction. However, the main point is that during this period we managed to evaluate the progress of privatization in general and change the thrust of our work.

[Shchadranok] Incidentally, do you think that, say, the Chamber of Control and the Prosecutor's Office will interfere less with the implementation of privatization by the Ministry of State Property following the edict?

[Badzey] The edict is not the only issue. Both the Chamber of Control and the Prosecutor's Office should monitor the process of privatization. On the other hand, a change in privatization techniques will put us in a different environment.

First, previously we did not separate conversion into joint stock operations from privatization; a privatization commission was formed which assessed property, drew up a balance sheet, and determined the statutory fund, and subsequently the decision to privatize the enterprise was made. Now we separate these efforts. At first, there will be conversion into joint stock operations carried out on the basis of property assessment as of 1 January 1995; this preparatory work will be carried out by the enterprises themselves. We will set up territorial and sectoral commissions which will review these records. Interstate property will be privatized by way of stock sales.

Second, we were reproached for selling a share which costs 2,000 rubles for four vouchers the face value of each being 2,500 rubles. It is very hard to explain to the population that the value of the vouchers was determined on the basis of the cost of fixed assets as of 1 January 1994, and that the property of enterprises was evaluated in 1992 or 1993 prices. We will now implement conversion into joint stock operations based on the balance-sheet value of fixed assets as of 1 January 1995. The face value of the voucher will be determined on this basis. This way shares and vouchers will have equal prices.

Third, these shares will be sold, including sales for vouchers, at auctions where the sale price is determined by supply and demand. Nobody will reproach us anymore for selling shares at this price rather than that price.

[Shchadranok] We have already touched on the problem of voucher privatization in the course of our conversation. However, we would like to discuss it in greater detail. What is your assessment of the progress of voucher privatization? Do you think that the concept of voucher privatization as the key arrangement for the transfer of a proportion of state property to the population free of charge has met its demise? According to various estimates, about 80 percent of the citizens who have received "Property" vouchers have sold them to commercial structures dirt cheap.

[Badzey] The president and I are very concerned about the issue of voucher privatization, about preventing our population from being cheated. The citizens of the republic are entitled to sell their vouchers at any price but they should know that the nominal value of the voucher will soon be indexed and will increase at a minimum by a factor of 10. Therefore, is it worthwhile to sell a voucher for 1,000 rubles if it costs 25,000?

On the other hand we must develop, as soon as possible, regulations which will govern the actions of participants in voucher privatization in order to prevent, in the future, more cases of the purchase of enterprise shares by the already mentioned investment funds at Savings Bank branches through individuals fronting for them. I have received a letter from the Minskdrev joint stock company which notifies me that on 21 and 22 February, nine individuals purchased all the shares of this enterprise at all rayon branches of the Savings Bank in the city of Minsk, and lists these people. For example, Tatstsyana Anatolyevna Zinyuk purchased 5,625 shares with 45,000 vouchers. Could you tell me where does an individual get 45,000 vouchers, given that on the average a citizen of the republic receives 100-120 vouchers? It is easy to guess that the vouchers had been purchased dirt cheap whereas real state property was acquired with them.

Edict on Implementing Privatization

955C0016A Minsk NARODNAYA HAZETA in Belarusian 21 Mar 95 p 1

[Edict No 101 signed by Belarus Republic President A. Lukashenka: "On Measures To Carry Out the Reformation of State Property"]

[FBIS Translated Text] In order to carry out state property reform, and in accordance with the Program of Urgent Measures To Bring the Belarus Republic's Economy Out of the Crisis, I hereby decree:

1. That the Belarus Republic Cabinet of Ministers shall:

by 1 May 1995, jointly with the Procuracy of the Belarus Republic, complete a review of materials on the alienation [transfer] of state property of the Belarus Republic and institute court actions seeking nullification of unlawfully made transactions alienating [transferring] republic-owned property;

by 25 March 1995, prepare and submit to the President of the Belarus Republic proposals on the introduction of changes and amendments to legislative acts regulating the alienation [transfer] of state property, with a view to protecting the interests of the state as property owner, and fixing the responsibility of officials for failure to take measures to ensure its protection.

2. That ministries and other central administrative bodies, and state enterprises, associations, organizations and establishments, shall undertake an inventory of state property as of 1 January 1995 and in 1 January 1995 prices, in order to put its accounting in order and oversee its protection.

That the Ministry of Finance, Ministry of Statistics and Analysis, and Ministry of State Property Management and Privatization shall, by 1 April 1995, provide said establishments with the necessary methodological instructions on conducting the inventory.

That the Procuracy, the Oversight Office, the Oversight Service of the Administration of the President of the Belarus Republic, the Ministry of Internal Affairs, the Committee of State Security and the Ministry of Finance shall monitor the correctness of the property valuation and the completeness of the inventory.

3. That by 1 June 1995, the Ministry of State Property Management and Privatization, jointly with the Ministry of Finance, the Ministry of Statistics and Analysis, and the executive committees of the oblasts and the City of Minsk, shall create a data bank on the structure and value of the property of enterprises, associations, organizations and establishments which are republic-and communally-owned, and also make use of these data when monitoring the alienation [transfer] of state property.

That the Belarus Republic Cabinet of Ministers shall provide the financing for the creation of the said data bank.

4. That the Ministry of State Property Management and Privatization together with interested ministries and other central organs of government, in the absence of initiative proposals from the subjects of privatization, shall ensure the transformation of state enterprizes and organizations into open joint stock companies in conformity with legislation.

5. That it be established that:

5.1 in the case of enterprises which are republic-owned, the Ministry of State Property Management and Privatization shall act as the founder of open joint-stock companies.

The Charters of these joint-stock companies shall conform to the Belarus Republic Law "On Joint-Stock Companies, Limited-Liability Companies, and Additional-Liability Companies";

5.2 in the process of converting a state enterprise into an open joint-stock company, in addition to the state property being privatized it is also permissible to contribute to the charter fund of said company other properties (monies) belonging either to the founders or participants of the company, including foreigners, in order to increase the amount of the charter fund to a level equal to the value of said property (amount of funds);

5.3 the formation of the charter funds of joint-stock companies shall be implemented on the basis of the findings of a reappraisal of the fixed assets of state-owned and leased enterprises that are being converted into joint-stock companies as of their state on 1 January 1995, taking account of the value of these enterprises' other property;

5.4 plans to convert enterprises and organizations whose property is classified as republic-owned into open joint-stock companies shall be drawn up by said enterprises and organizations according to procedures stipulated by the Ministry of State Property Management and Privatization.

5.5 the sale of shares that belong to the state must take into consideration the proposals of the work collectives, as well as decisions of the sectorial ministries and other central organs of government.

5.6 decisions concerning the sale of state property of large economic complexes, as well as major investment projects, are to be taken by the president of the Republic of Belarus, taking into account the proposals of the Ministry of State Property Management and Privatization.

6. The Belarus Republic Cabinet of Ministers shall:

6.1 in accordance with legislation, carry out an indexation of the unused Mayomasts [property] personal privatization vouchers stemming from the need to reassess the value of basic production funds and other property as of 1 January 1995.

6.2 draw up and submit to the president of the Belarus Republic for approval draft regulations on the regulation of voucher investment funds and other subjects of voucher privatization providing for their accountability for the violation of laws and this edict all the way up to revocation of their license and halting their activity.

6.3 provide for the personal responsibility of the leadership of the organs of privatization and conversion of enterprises for the drawing up and timely presentation of drafts (plans) for the conversion of state property, as well as undertaking other privatization measures.

7. In order to organize the sale of shares of open joint-stock companies, a Department for the Disposition of Shares Owned by the Belarus Republic shall be created under the Ministry of State Property Management and Privatization. The basic forms of selling such shares shall be auctions and competitions. The Belarus Republic Cabinet of Ministers shall stipulate the number of employees and remuneration funds for the said Department.

8. The powers of the sectorial ministries and other central administrative bodies shall be demarcated with respect to state property management:

The Ministry of State Property Management and Privatization shall exercise proprietorship and disposition of packets of shares;

Ministries and other central administrative bodies shall appoint state representatives in the management bodies of joint-stock companies.

Within a two-month period, the Ministry of State Property Management and Privatization shall, jointly with interested [parties], draw up and submit to the Belarus Republic Cabinet of Ministers for approval a draft statute on state representatives in management bodies of joint-stock companies with a state share of ownership in their charter fund.

9. The Ministry of State Property Management and Privatization, jointly with the appropriate ministries, shall, by 1 April 1995, draw up a Program of Destatization and Privatization of republic-owned properties for 1995, which shall stipulate procedures for converting large economic complexes.

10. Local Councils of Deputies shall be advised to effectuate the conversion of state enterprises and organizations which are communally-owned, in accordance with procedures stipulated in this Edict.

11. Executive committees of oblasts and the City of Minsk shall:

by 1 April 1995 draw up a program of destatization and privatization of communally-owned properties and clear it with the Ministry of State Property Management and Privatization;

create the conditions necessary for local Councils of Deputies to adopt such programs.

12. Responsibility for the methodological support of the destatization and privatization of communally-owned properties shall be borne by the Ministry of State Property Management and Privatization.

13. The National State Television and Radio Company shall, jointly with the Ministry of State Property Management and Privatization, organize a series of TV and radio broadcasts (funded by the TV and Radio Company) to inform the public about the aims and methods of privatization and explain the mechanism of putting personalized Mayomasts privatization vouchers into circulation and the basic directions of destatization and privatization in the republic.

14. Within a two-month period, the Belarus Republic Cabinet of Ministers shall decide the question of reimbursing the Savings Bank for the cost of conducting transactions with personalized Mayomasts privatization vouchers.

15. This Edict shall be in force from the day it is signed.

3 March 1995

Minsk

Armenia

*Election of Catholicos Previewed

954F1996A Moscow SEGODNYA in Russian 31 Mar 95 p 5

[Article by Gamlet Matevosyan, under the "Faiths" rubric: "The Election of the Catholicos of All Armenians: The Development of Events Is Unpredictable"]

[FBIS Translated Text] Yerevan—On Palm Sunday, 9 April, in Echmiadzin, a solemn ceremony will take place, consecrating the newly elected 131st Catholicos of All Armenians. It will follow a session of the National Church Council that will begin on Monday 3 April, and will examine the question of the election of the Catholicos.

Participating directly in the election of the Catholicos will be about 400 electors, representing all obshchinas and eparchies not only of Armenia, but of the foreign Armenian diaspora, except that of Constantinople (the Government of Turkey, as it did 40 years ago, forbade the representatives of the Armenian community to participate in the election of the Catholicos).

Observers evaluate the chances of the main contenders variously. One of them is the Jerusalem Patriarch, Archbishop Torgom Manukyan, who was elected immediately after the death of Vazgen I to the post of locum temens of the head of the Armenian Apostolic Church. However, Archbishop Torgom has not been able to win the favor of either the population or the Armenian leadership, who took a negative view of an unprecedented step: Archbishop Torgom had conducted a holiday service dedicated to the Birth of Christ in the Armenian and... English languages. President of the Republic of Armenia Levon Ter-Petrosyan was even compelled during the Christmas reception to declare that within the walls of the Armenian church, only the Armenian language should be heard. Another fact that calls for attention is that in his time as locum temens, Archbishop Torgom left Armenia more than once, which was also perceived in a very negative light by the public.

As other candidates for the throne of Catholicos, these names are being mentioned completely openly: the leader of the Ararat Eparchy, Archbishop Garegin Nersisyan; the leader of the Eastern American Eparchy, Archbishop Khazhak Parsamyan; Kilikiyskiy Catholicos Garegin II; and the head of the Artsakh Eparchy, Pargev Martirosyan.

At first glance, the advantage of the head of the Ararat Eparchy, the 44-year-old Archbishop Garegin Nersisyan, is obvious. Archbishop Garegin enjoys the support of Constantinople Patriarch Garegin Kazanchyan, whose opinion has the ear of the church hierarchy, and also, according to certain information, that of a number of influential Armenian state activists. And yet, the main strength of Archbishop Garegin Nersisyan is in the substantial number of votes of the electors who are members of the council: 104 delegates.

As before, Archbishop Khazhak Parsamyan has retained his chance to be elected. On his side are his youth, energy, the support of certain of Armenia's political circles, and also that of rich Armenian family clans of the Eastern seaboard of the United States. However, a great deal of evidence indicates that the flock and the priesthood view him fairly coolly, since, as has become known, Archbishop Khazhak has still not handed over to the Government of the Republic of Armenia significant sums of money collected by the Armenian diaspora in the United States immediately after the 1988 earthquake for the needs of its victims.

One real contender to the throne is the head of the Artsakh Eparchy, Bishop Pargev Martirosyan. Weight is added to his chances, undoubtedly, by the image of a spiritual leader fighting for the independence of the people of Karabakh. In addition, he has managed during the course of his trips abroad to make a favorable impression on the Armenian diaspora. And although Artsakh will be represented at the election by nine votes, it is evident that a number of delegates both of Russia and of Armenia and the diaspora will also vote for him.

After the death of Catholicos Vazgen I, observers expressed the opinion that the question of selecting a new head of the Armenian Apostolic Church would lead to an aggravation of mutual relations between the authorities and the church. Analysts have conjectured that President of the Republic of Armenia Levon Ter-Petrosyan, who by virtue of a number of circumstances is well acquainted with church affairs (at one time he taught at a seminary in Echmiadzin), will endeavor to participate directly in the candidate selection. These conjectures have proven to be justified.

At the beginning of March—a month before the election—the president finally said his piece on the subject of this question, so important for the nation. He declared that the most worthy of all the candidates was 63-year-old Kilikiyskiy Catholicos Garegin II, who will be able, in the event of his election as Catholicos of All the Armenians, to guarantee the unity of all Armenians. In the opinion of the editor of the American weekly ARMENIAN REPORTER, Edward Pogosyan, the choice of the head of state can be explained as an effort to deprive the very prominent opposition party Dashnaktsutyun of yet another important sphere of influence, bearing in mind the traditional close ties of the Kilikiyskiy Catholicos with the leadership of that party. Observers believe, not without basis, that a certain role was played in this question by one of the wealthiest and most influential representatives of the Armenian diaspora—Chairman of the Armenian Assembly of America Grayer [name as transliterated] Ovnanyan, who is closely connected with U.S. political circles. It is not inconceivable that it was precisely their interest in the election of Garegin II that he was able to convey to the president of the Republic of Armenia, with whom, by the way, he is on rather close terms.

The candidacy of Garegin II is fairly contradictory. This is truly an outstanding churchman. However, his semi-confidential visit to Armenia and meetings at the highest level put people on their guard. It is interesting that representatives of Dashnaktsutyun who have been given the opportunity to express themselves publicly on this score have been restrained in their evaluations. Obviously, they conclude, the president took into account the personal qualities of Garegin II. But members of the party Ramkavar-Azatakan, on the contrary, are extremely alarmed. The leadership of the Ramkavarites openly called Levon Ter-Petrosyan's move interference in church matters, an attempt to exert pressure on the course of the election. The organ of the party, the newspaper AZG, ran a number of articles shedding light on the Armenian church schism, which began in 1956, when in the city of Antilyas (Lebanon) a second catholicate was formed—the Kilikiyskiy.

It is widely known that the Kilikiyskiy Catholicos has over the course of 10 years headed the fight against Echmiadzin, to whose throne the leadership of the Republic of Armenia is striving to elevate him today. Political and social activists reproach the president of the Republic of Armenia in this connection with wishing with this step to resolve merely local political problems, and they express doubt as to the ability of Garegin II to restore the unity of the Armenian Church. Several parishes subordinate to the Kilikiyskiy Catholicos have threatened to break off relations with Echmiadzin completely if Garegin II accedes to the throne. Many bishops do not consider it necessary to conceal their displeasure with such blatant interference by the authorities in church life. The diaspora resembles a disturbed hive.

The reaction of Russia's political and spiritual figures to these events is certainly unknown. In connection with this, people are wondering here whether Russia will reconcile itself to the loss of its traditional influence in such an important sphere. Over the course of almost 300 years, the question of the head of the Armenian Apostolic Church was decided with its direct participation. Meanwhile, one of the local papers ran a report on calls made by Yeltsin and Shumeyko, who were supposedly petitioning for their candidates (respectively, Bishop Pargev Martirosyan and the head of the Moscow and Nor-Nakhichevan Eparchy Archbishop Tiran Kyuregyan). True, soon that same newspaper printed a retraction, but rumors have persisted.

Even some political figures who are loyally disposed do not rule out the possibility that the position of the president of the Republic of Armenia could lead to an aggravation of the internal political situation. After all, in the event that the National Church Council decides to ignore the president's opinion, the authority of Levon Ter-Petrosyan will have been dealt a serious blow. On the eve of the parliamentary elections of 5 June, such a course of events could become a serious factor in the defeat of the authorities.

Analysts have paid attention to the results of a poll conducted by the Center for the Study of Public Opinion of the State Committee for Television and Radio Broadcasting of Armenia, which was devoted to the upcoming election of the Catholicos. In first place is Archbishop Garegin Nersisyan—20.5 percent of respondents; further, Kilikiyskiy Catholicos Garegin II (15.8 percent), Archbishop Torgom Manukyan (6 percent), Bishop Pargev Martirosyan (5.6 percent). The remaining of the possible contenders did not break the 5 percent barrier.

Azerbaijan

*Privatization Program Raises Many Questions

954F2023A Baku ZERKALO in Russian 1 Apr 95 p 6

[Article by G. Kozlova under the rubric "Facts and Commentary": "Privatization Seems To Have Begun, But There Continue To Be No Fewer Questions Than Answers"]

[FBIS Translated Text] The deadline of a month set by the president for preparing the state privatization program is running out. But the time period allocated for development will be observed; as the edict envisions, the program will be presented to the president on 8 April. After possible amendments and additions, the program will be handed over for study and ratification by the Milli Majlis. The vice premier and chairman of the Azeri Republic State Committee for Property [GKI], Tofik Azizov, announced this at a press conference held in the Cabinet of Ministers on 29 March. The chairman of the commission for preparing the new privatization program told the public of progress in preparations and outlined proposals prepared by the GKI working group.

I remind you that the Law "On Privatization" adopted in January 1993 has still not come into full force, since there was no mechanism for destatization of property—a privatization program. During this period the Milli Majlis discussed the drafts presented by the GKI twice and both times returned them for revision.

The program being proposed now singles out five methods of privatization whose implementation will occur independently: privatization of small enterprises, privatization of separate joint stock companies (AO), privatization of financial-industrial groups (FIG) and joint stock companies which are part of holding companies, privatization of joint stock and share banks, and sale of stock of specialized investment funds.

It is assumed that citizens' receiving privatization vouchers will change society's mentality and defuse the political situation. The authors of the draft believe that the national characteristics and specifics of the republic are favorable circumstances and their utilization will inevitably foster the success of the process of the reforms.

As a legal means of cash payment, 32 million privatization checks (vouchers) payable to the bearer will be put into circulation, and they can be sold, given, or exchanged for stock. Inasmuch as the voucher is backed by property, it does not have a monetary value and thus will not be subject to the inflation of the manat. The content of one check (the face value) is 1/32 millionth part of state property subject to check privatization. Experts estimate that the minimum price of a check comes to 89,038 manats.

Every citizen of Azerbaijan's population of 7.250 million, from the newborn to the elderly, will receive one share consisting of four checks, and that will come to 29 million checks. Thus, the value of one share will be 356,152 manats. Descendants of Karabakh war casualties as well as forced resettlers will be issued an additional share (200,000 checks overall), and the country's president will have 800,000 shares at his disposal.

After the checks are issued to the population, another 2 million checks will remain in the state's reserve. The developers of the program propose to use them for the Privatization Support Fund (0.5 million), the Priority Investments Fund (0.5 million), and the Social Protection Fund (1 million). The optimal circulation period of the check is set at 3 years.

The experience of privatization in Poland, Czechia, and Russia was taken into account in work on the program. As the draft says, privatization in Russia showed that complex and cumbersome plans for privatization of enterprises understood only by certain specialists and highly qualified bureaucrats are an additional obstacle to implementing the entire program and promote delay in the privatization process. Consequently, Azerbaijan's economists are approaching the question of privatization differently in the new program. They believe that the best solution would be approving the simplest and most formalized methods of privatization. And they consider it wise to develop privatization in stages.

Four stages of privatization are proposed. In the **first stage**, there is a closed subscription whereby the labor collective and citizens who have the right to a preferential subscription invest vouchers (privatization checks), forming their share in society's joint stock capital. Regardless of the amount of the investment, the shares of labor collectives are taken as 15 percent during privatization of industrial objects and the starting price of the enterprise is thereby determined.

The **second stage** is privatization proper. Fifty percent of all the capital of the enterprises is offered at a republic check auction. Their actual value is determined based on its results. The republic's population invests their privatization checks in any of these enterprises. Thus, 65 percent of the enterprise's joint stock capital passes from state ownership to private ownership.

The **third stage** envisions the creation of investment funds, specialized sectorial and intersectoral ones. Closed investment funds (ZIF ["zakryty investitsionnyy fond"]—15 percent of the stock) and guarantee reserve investment funds (GRIF ["garantiynyy rezervnyy investitsionnyy fond"]—10 percent of the stock) are formed.

And the **fourth stage** is privatization for money. The rest of the stock amounting to 10 percent of the enterprise's joint stock capital is offered at a cash auction. It is stipulated that the sale will be conducted only in small blocks and when market conditions are favorable. When state property is being bought, restrictions on physical persons are lifted, while legal persons are declared buyers if the share of state ownership in their capital stock does not exceed 20 percent.

As T. Azizov assures us, the privatization process will be as open as possible and GKI bulletins on the start of bidding sessions will be issued, exhaustive information will be published a month in advance, and the television and press will be used. On the other hand, a special commission to control securities under the president will monitor the course of privatization.

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At the press conference held last year at the UN representation, state advisor Vakhid Akhundov for the first time named the simultaneous conversion of medium-sized and large enterprises into joint stock companies among the directions of the economic reform. Time will tell whether this leads to a balanced securities market and whether the government's reforms are reinforced by the population's solvency. But certain things are obvious even now.

We were 2 years late with the reform. While the population used to have capital for privatization, now they have "eaten up" a great deal of their savings or they were depreciated at Sberbank [Savings Bank] or overflowed into "suddenly" bankrupt structures. Because of the population's low solvency, the rate of privatization checks and stock of enterprises will decline, and this will result in truly widespread and rapid privatization: no money, no demand, no hullabaloo—foreign capital, the state, and representatives of the shadow economy will be able to acquire a large part of the property quickly and at low prices. It is hard to believe that this will lead to calm and general well-being rather than to even faster stratification of society.

T. Azizov is not a reformer but a performer, as he called himself at the press conference, yet another representative of the directors corps in the government of Azerbaijan in the mid-1990s. And putting the program together will require not only experience in state government as a parliamentarian but also an academic economic education. Not only Azerbaijan's but also Russian economists took part in working on part of the draft. As. T. Azizov announced, during work there were disagreements on the point of the need for closed investment funds, and as a result, unnamed economists left the working group. Some sources name Sevostyanov, who worked with Chubays on the Russian privatization program, among the developers of the draft.

The program has still not been finished and all the figures and percentage relationships will be refined and changed. Consequently no one resolved to call the press conference the presentation of the program. Obviously, the main objective of the measure was to launch a test balloon and watch the response of the press, the population, and the foreign community and make specialists and experts give their opinions—work on the draft continues and there are possibly still corrections to be made. It is not impossible that the developers are hoping to obtain support from those who will receive the most benefit from privatization.

Obviously we should expect that a whole series of drafts will be presented in the near future, with more or less fanfare. All this on the threshold of the April meetings of the boards of directors of the EBRD [European Bank for Reconstruction and Redevelopment] and the IMF and the May meeting in Paris of Azerbaijan's donor countries—to obtain capital for the projects.

Certain questions arise upon close examination of the document presented.

First, the state continues to be the largest owner. This privatization does not affect some sectors: railroad transport, aviation, the earth's interior, and interurban highways. Enterprises of the oil industry and the energy complex will be turned into joint stock companies. After that, their stock will be bought by the state. Based on the experience of Norwegian Statoil, oil companies will become 100-percent state joint stock enterprises. The only thing not clear is why the labels had to be changed. This is done through the stock of enterprises which are transferred to closed and guarantee reserve funds.

Secondly, privatization of small enterprises, as became clear from T. Azizov's words, means simply legalizing the ownership rights, above all of shadow owners of the network of stores, and the treasury's obtaining taxes which up to now the latter either did not pay or paid but not to the state. Here only cash sale and transfer into the budget of 30 percent of the value with deferred payment for 3 years are envisioned.

It is not clear what will happen to cooperative property or enterprises which lease premises. The reason initiative check funds must not be created is not clear.

The republic has not conducted a population census. There is no law on citizenship. It is not clear where the figure 7.250 million in population came from. Do residents of occupied territories and refugees from Armenia have a right to a share of Azerbaijan's property?

Urban residents who received free state apartments and kolkhoz members who obtain a share in the farm's property are in a better position compared to those on a waiting list, resettlers, and those who built their own and cooperative homes.

And finally, in recent years while industry was not operating, many enterprises did not declare bankruptcy but reduced the number of personnel. There was an exodus of population to earn money. Thus, only a negligible part of the population receives the right to preferential stock in an enterprise's share.

Estonia

*Russian Minority's Postelection Situation

954K0545A Stockholm DAGENS NYHETER in Swedish 13 Mar 95 p 11

[Article by Mert Kubu: "Russian Voice in Parliament"]

[FBIS Translated Text] Tallinn—*Viktor Andreyev is a historic person. He headed the Russian list, Estonia Is Our Home, which won six seats in the Estonian parliament (Riigikogu) in the election a week ago.*

In the three years since Estonia regained its freedom, half a million Russian-speaking inhabitants have lacked a voice in parliament. A week from now Andreyev will leave his job as assistant mayor of Tallinn and move up to the rose-colored palace on Domberget to become a full-time politician.

A third of Estonia's 1.5 million inhabitants speak Russian. Around 100,000 of them are also Estonian citizens. But at the same time 61,000 have applied for and been granted Russian citizenship.

Around 350,000 people living in Estonia, the majority of whom have Russian as their mother tongue, currently lack citizenship in any country. They are stateless and are simply called "noncitizens" here.

They cannot travel outside Estonia unless they have an old red Soviet passport. But not all countries accept these passports. Germany does not. And in July 1996 they will no longer be valid in any case.

"It is worst for businessmen who make frequent trips. Their red passports are fully stamped and they cannot get new ones," Andreyev said.

It is hardest in the Estonian border town of Narva. Out of almost 90,000 inhabitants only 10,000 are Estonian citizens, 20,000 are Russian citizens, and the rest are "noncitizens."

Picked Up Estonian

Andreyev himself is an Estonian citizen. His mother was Estonian, his father Russian. At home in Valga only Russian was spoken. But out in the yard, in the sandbox, there were Estonian children. He picked up Estonian from them.

Later, when he attended the college of physical education, together with incoming Prime Minister Tiit Vahi, incidentally, the athletics coach refused to speak anything but Estonian.

"Today I am very grateful."

For 24 years Andreyev lived in the Estonian mining town of Kohtla-Jarve. There people spoke Russian almost exclusively. Therefore his adult sons do not speak Estonian, although they understand it. Today Andreyev himself speaks Estonian well with a slight Russian accent. But his grandchild Anastasia, who is seven years old and a member of the new generation, will certainly be bilingual, in Andreyev's opinion.

Polls show that the language requirement and unemployment are what worry Russian speakers most. What are the aims of Estonia Is Our Home, which actually consists of three Russian parties?

"It would be unfortunate for Estonia if we had a lot of Russian, in other words foreign, citizens.... We are not calling for a change in the language law, only that the authorities be more tolerant of those who have lived in Estonia a long time, as well as the elderly and handicapped. Of those who want to be loyal citizens of Estonia," said Andreyev.

How hard is it for Russians who have lived in Estonia a long time to become Estonian citizens? Terrible stories circulate in the Russian colony about how strict the language requirement is. There is a good deal of exaggeration, but the law has been tightened up, and the director of the State Language Bureau (Keeleamet), a member of the national-radical party ERSP [Estonian National Independence Party], is pursuing an extreme line.

The law has been tightened up, and henceforth applicants will also be tested on the Constitution and, for some strange reason, must be able to explain the citizenship law. A loyalty oath to the Constitution must also be taken.

A special law describes the language requirement itself: First, comprehension will be checked. After reading out loud one must explain the content of public announcements, news items, and so forth. Ability to carry on a dialogue will be ascertained through conversation. The applicant must talk and answer questions. Second, there will be a written test, where applicants will have to compose an autobiography, fill out questionnaires and tests, and write from dictation.

Special Language Tests

The tests are conducted by state examination boards. In addition to the language test for citizenship, there are special tests for sales clerks, teachers, doctors, officials, and so forth.

A Russian tennis star in Tallinn who speaks fluent Estonian without an accent and associates solely with Estonian comrades said he had trouble passing the citizenship examination because he is not used to writing the language.

But even so, both Estonians and Estonian-Russians agree that tension between the Estonian and Russian groups has decreased since the Russian troops left the country last fall. Many Russians in Tallinn are trying to learn Estonian. They send their children to Estonian daycare centers. Sales clerks who used to respond only in Russian and were angry if one did not understand them are now trying to reply in Estonian.

At the same time young Estonians' knowledge of Russian is declining. They would rather learn English in school.

Young Estonian-Russians who do not learn Estonian are threatened with unemployment or forced to take simple, unskilled jobs. The situation is expected to be hardest for people in this group.

*Foreign Trade Deficit for 1994 Reported

954K0526A Tallinn PAEVALEHT in Estonian
13 Feb 95 p 9

["Summary" of Bank of Estonia Report: "Estonia's Foreign Trade Had a Deficit in 1994"]

[FBIS Translated Text]***Tallinn (PL)—Estonia's trade deficit for 1994, along with goods taken across the border with a commitment to import or export them later in their unchanged form, amounted to 5.12 billion kroons, according to preliminary calculations. Not including such goods, the deficit was 4.56 billion kroons, the Bank of Estonia announced.***

When, during the early months of 1994, the foreign trade deficit was due mainly to two categories of goods—fuels and machinery and equipment (the rest of the groupings balanced each other out)—then in December, these two groupings accounted for only 73 percent of the total deficit. An ever increasing share of foreign trade deficit is also attributable to the negative export balance of chemical and plastic products.

In December, Estonia had foreign trade relations with 85 countries, while a positive balance was maintained with 41 of them, including Latvia, Belarus, Lithuania, the United States, and Norway. In summary, the foreign trade deficit reached its record high in December, amounting to 699.8 million kroons.

*New Business Registration Law Detailed

954K0526B Tallinn PAEVALEHT in Estonian
17 Feb 95 p 9

[Article by Tiiu Allikmäe: "All Enterprises Must Re-Register"]

[FBIS Translated Text] ***According to the business legislation passed Wednesday, business enterprises existing today have until 1 September 1997 to re-register in the business registry, otherwise they will lose their rights as legal entities and become subject to liquidation.***

The business legislation stipulates the concepts of corporation and company (full partnership, trust company, joint-stock company, and profit-oriented company) and the formation of the business register. The law will take effect 1 September of this year.

According to the new legislation, newly formed limited liability enterprises—corporations and joint-stock companies—must have a down payment of 100,000 kroons and 10,000 kroons respectively, before they can register. As of 1 September 1999, however, the equity of a joint-stock company must be 40,000 kroons, and the equity of a corporation must be 400,000 kroons.

Last week, at the start of the third reading of the bill, the delegates first voted 200,000 kroons to be the minimum capital requirement for joint stock companies. When it came to the final vote, however, it was the amended proposal of the judicial commission that passed with 26 votes for (eight against and one abstaining), which set 400,000 as the minimum capital requirement for joint-stock companies. According to Daimar Liiv, head of the judicial commission that prepared the measure, this amount may even be too small, considering the four-year transition period and inflation. If equity cannot be increased that much, the business can always be re-registered as a different type of enterprise.

"All small businesses have not accepted the fact that the 300 kroon equity required up until now cannot give them limited liability status, and if they want to get by with smaller equity backing, they must be willing to put up their personal property. This is a very serious problem in our society," Daimar Liiv told PAEVALEHT.

Enterprises To Get New Registration Numbers

Another major change brought about by the legislation, as it takes effect, is setting up a register for business enterprises. "This is a legal register like a cadastre," Liiv emphasized.

Most of the discussion stemmed from reformulating the current registry of business enterprises. Liiv said that a proposal was already made to reformulate the existing registry into a business registry. After consulting with employees of the business registry, however, it was deemed that this is not warranted and that the enterprise registry should be retained as a statistical or informational base.

Thus, parallel operations will be maintained of both the enterprise and the business registers. Legal status will be accorded to the business register only, while the enterprise register will become a data bank from where the state can obtain statistical data about an enterprise at any moment. "The business register, as a legal register, could not and should not be dealing with statistics," Daimar Liiv said.

All enterprises will be issued new registration numbers from the business register, and the law provides for the business register to notify the enterprise register of the new numbers. The name of the company must be compatible with the type of enterprise it represents.

On the third reading, close to 20 amendments were introduced into the bill, most of them technical, according to Daimar Liiv. Some of the most serious debate ensued on the injunction on competition, extending loans to board members, and the nature of the joint stock company. There was also debate on business names.

*1994 Economic Growth, Other 'Transition Economies' Assessed

954K0526C Tallinn EESTI SONUMID in Estonian
8 Feb 95 p 5

[Article by Ardo Hansson: "How To Rate the Success of Estonia's Economic Reforms?"]

[FBIS Translated Text] **How did Estonia's economy develop last year? This has been and can be assessed in a number of ways. Taking any one index randomly, one could "support" anything from brilliant success to a collapse.**

It would be more sensible and certainly more informative to take several basic indicators of Estonia's development and compare them to those of other countries with transition economies. This is now possible with the help of projections made for all former socialist countries, as published in the WALL STREET JOURNAL (WSJ) last year. Out of several possible indicators, the WSJ picks out three: the estimated rate of inflation for 1994; the growth rate of the economy; and the current share of the private sector in the national gross product.

Since low inflation, rapid development, and a strong private sector are among the most significant goals of economic reform, combining them would give us some...

Basis for Comparison.

WSJ offers inflation and growth rate predictions for all 25 economies of Eastern Europe and the former Soviet Union. Other experts have, on occasion, offered different projections, and some rankings have turned out to be different in retrospect. (For example, Estonia's inflation was supposed to be slightly higher than Lithuania's, but it turned out to be lower). By and large, however, the predictions are sensible and can be used.

WSJ does not have an assessment of the size of the private sector for four states (Albania, Latvia, Tajikistan, or Turkmenistan). The assessment that Uzbekistan has one of the biggest private sectors (43 percent) of all the transitional economies is the only figure that is hard to believe, but since that state is of no particular interest to us right now, we will leave it aside.

Taking the remaining 20 countries and ranking them for their performance—assigning 20 points to the best and one point to the worst and then adding up the three grades—we get the table that follows and a general ranking of performance.

It should be mentioned that since Albania and Latvia had favorable indicators for inflation and economic growth and since they have also had success with privatization, they should be in the top portion of the ranking table, somewhere near Estonia.

A lot of conclusions could be drawn from such a comparison. It should be remembered, however, that it **does not indicate the standard of living, but the development of the economy** over the past year. General conditions are much better in Slovenia than they are in Estonia—simply because they have always been that way. By the same token, Armenia's standard of living is quite a bit lower than it is in Russia because of the war, for one.

The Comparison Shows:

1. that Estonia stood out, especially for its economic growth and the growth of its private sector, but has been relatively less successful in curbing inflation.

2. that one can confirm the frequently heard contention that the Czech Republic has had the most successful reforms so far and that Estonia could take second place (other "well performing" states have been Poland, Latvia, and Albania).

3. that keeping in mind that only Albania, Armenia, Estonia, Latvia, and the Czech Republic have presumably non-Communist governments, one is struck by the obvious connection between such a government and successful economic reforms. Since Armenia and Latvia, along with the Czech Republic, Estonia, and Poland, would make up the top five, four out of five countries with the best economic development have non-communist governments.

Since Polish reforms were guided by a similar government for a long time, its success could be linked partially to the same factor, and the fact that Armenia has by far the best indicators of all the CIS countries (and that from the lowest starting point), would also serve to confirm that.

4. that the non-Communist governments were those who applied resolute reforms or so-called shock therapy. Carried on consistently (in contrast to Russia), they are the ones that have proven to be most successful. What, at first glance, would have seemed to be more sensible, step-by-step or softer reforms have not brought expected results.

With Other Significant Factors...

...brought into the comparison, Estonia's rating would obviously go up even more. The condition of our state budget is the best in the region, and the balance of payments low by Mid-European standards. Our foreign investment portion in the economy is the highest in Europe, as is obviously also our growth rate for both exports and imports. Assessment of these or other factors, however, should wait for more accurate comparisons.

Ranking of States for 1994, based on WSJ predictions

Points	Inflation	Economic Growth	Private Sector Portion	Total	
20	Horvatia	Armenia	Czech R.	Czech R.	55
19	Czech R.	Estonia	Estonia	Estonia	51
18	Slovak R.	Poland	Poland	Poland	51
17	Hungary	Romania	Hungary	Hungary	45
16	Slovenia	Czech R.	Armenia	Lithuania	43
15	Poland	Slovenia	Lithuania	Armenia	42
14	Lithuania	Lithuania	Russia	Slovenia	41
13	Estonia	Horvatia	Macedonia	Horvatia	36
12	Macedonia	Bulgaria	Kyrgyzstan	Romania	36
11	Bulgaria	Hungary	Bulgaria	Slovak R.	36
10	Romania	Slovak R.	Slovak R.	Bulgaria	34
9	Kyrgyzstan	Moldova	Romania	Macedonia	31
8	Russia	Azerbaijan	Slovak R.	Kyrgyzstan	28
7	Azerbaijan	Kyrgyzstan	Georgia	Russia	25
6	Armenia	Macedonia	Azerbaijan	Azerbaijan	21
5	Moldova	Kazakhstan	Moldova	Moldova	19
4	Ukraine	Georgia	Ukraine	Georgia	13
3	Kazakhstan	Russia	Horvatia	Kazakhstan	10
2	Georgia	Belarus	Kazakhstan	Ukraine	9
1	Belarus	Ukraine	Belarus	Belarus	4

Although the comparison could be made more specific in many ways, it does give a fairly good picture, at least for the time being.

We could argue about whether Estonia is in first, third, or fifth place, but we cannot deny that, on the scale of transition economies, it is doing darn well.

And that is what's important because the former socialist countries are the right group to compare ourselves to (making allowances for the initial head start in Eastern Europe; it is essentially the former Soviet Union). In assessing our development up to this point, we have to be honest about what can be achieved realistically. Expectations that are too high would bring frustration and defeat that can only halt the progress.

Those who find that our reforms have failed or those who have a negative attitude about fast reforms in general should point to those specific instances where, starting from the same conditions, better results have been obtained by a "softer" approach. This would lend honesty and balance to the whole debate on economic reform.

*PHARE Aid Up for 1995

954K0526D Tallinn ARIPAEV in Estonian
10 Feb 95 p 17

[Article by Katrin Maack: "PHARE Program's Total to Estonia Amounts To 61 Million ECU"]

[FBIS Translated Text] **From 1991 to 1994 Estonia received 40.6 million ECU's [European currency unit] through the PHARE [expansion?] program, and for the year 1995, assistance is planned at 21 million ECU's, announced Hannes Aarma, deputy head of the international cooperation department at the Ministry of Finance.**

According to Aarma, a five-year average shows the number of PHARE programs carried out in Estonia and investments made in them increasing steadily. In 1991, the total was only 4.6 million ECU's, but for 1995, 21 million ECU's are planned. "Compared to other countries needing assistance, Estonia has been somewhat more successful because we have made use of the funds received in previous years," Aarma said.

One-Fourth of Assistance Programs

Aarma said that for 1994, the PHARE program made up one-fourth of all the programs providing support to Estonia.

The program is distinct in that spending of the money is based only on specific projects.

"Initially, the PHARE program was aimed at acquiring necessary know-how for carrying out economic reform. Any material assistance worth noting was relatively small," he said.

PHARE Program Funds Allocated To Estonia, by areas of use

Economic development	45 percent
Employee training	14 percent
Infrastructure	12 percent
State Administration	8 percent
Social Sector	7 percent
Environmental Protection	7 percent
Integration into Europe	3 percent
Other uses	4 percent

Beginning in 1993, it was decided to support the restructuring of infrastructure. Starting last year, Central and East-European countries were allowed to use up to 15 percent of their technical assistance for investment purposes. This portion should go up to 25 percent this year.

Since 1994, Aarma said, Estonia has been trying to link non-returnable technical assistance to the preparation of loan projects, so as not to use loan money for it, thus reducing the loan burden.

PHARE Supports the Economy

Of the PHARE proceeds, 45 percent has gone to support economic reform. "Over several years, PHARE has provided considerable support for restructuring the economy, which included help to state enterprises for privatization through the privatization agency," he added.

"A significant portion of funds has been used to reorganize the banking and finance sectors, so as to make their work compatible with Western European standards," Aarma said and added that support to the agricultural sector has also been significant. There has also been strong material support for improving statistical reporting and customs activity in the form of both equipment and training.

In addition to projects mentioned above, the European Union has also given Estonia 5.5 million ECU's to carry out the reform program of vocational schools and to solve some of the environmental problems.

Also increasing is the foreign donors' interest in the social sector, in connection with the loan for health care extended by the World Bank. "Allocating such assistance has been changed to programs running over several years so as to achieve more of a long-range effect," Aarma said.

Multinational Programs

In addition to the national PHARE programs of the European Union, there are also the so-called *multinational* programs geared to solving some problem areas that are common to several East European countries. Estonia participates in 14 such programs. These include statistics, a program to curb the spread and use of narcotics, and programs for scientific cooperation. In these cases, the value of the programs is not expressed in money because the funds are allocated to several countries.

Funds Allocated to Estonia Under the PHARE Program

	Million ECU's
1991	4.6
1992	10
1993	12
1994	14
1995*	21
Total	61.6

*projected amount

Source: Ministry of Finance

"PHARE assistance is comprehensive and based on Estonia's needs," Aarma remarked. "It is not meant for solving short-term problems but rather to achieve economic stability."

The European Union will continue its assistance programs at least until the end of the century.

*Finance Ministry Official Says Industry Pulling Out of Slump

954K0526E Tallinn ARIPAEV in Estonian 13 Feb 95 p 2

[Article by Raul Ranne: "Industry Emerging From Slump"]

[FBIS Translated Text] **Even though many industrial enterprises are still operating below capacity and many of them are not through with privatization, Estonia's industry is about to emerge from a slump of the last couple of years, according to Signe Ratso, assistant chancellor of the Ministry of Finance.**

The volume of industrial production, however, did not increase last year to the extent hoped for by the Economic Ministry, Ratso said. "Considering that many enterprises are undergoing restructuring and investments have gone mostly for management changes and improving quality, the growth in the volume of production is yet to come," Ratso said.

Comparing the 24 percent share of industry in Estonia's economy with Denmark's close to 28 percent share, for example, Ratso said that while the industry's share in Estonia should be going up somewhat, it is basically at the normal level.

Projected Increase in Production Volume for 1995 By Segments of Industry (in percentages)

Segments of Industry	Percentage compared to 1994
Food Items	102
Light Industry	110
Forestry	115
Chemical Industry	120
Building Materials	105
Machinery & Equipment	105
Processing Industry Total	107

Source: Economic Ministry

Viljar Veskivăli, executive director of the central alliance of Estonia's industry, said that the industry's 25 percent share of the economy was quite normal. He said that when in 1994 the total volume of the processing industry decreased in relation to 1993 (at comparative prices), then this year the volume of production should not go down compared to last year. "This drop had occurred largely because of a slump in the food items and textile industries," Veskivăli said. He also added that since the bigger textile enterprises have been privatized, the indicators for the textile industry are expected to improve considerably this year.

Signe Ratso also remarked that the volume of industrial production will go up next year for sure, but so will the relative share of under-developed segments of the economy, so there will obviously be no significant changes in the relative share of the industry.

Ratso said that the food items industry, where production volume is dropping steadily but where the relative share is growing, depends on Estonia's own raw materials, the development of agriculture, and also on possible markets. According to Ratso, the customs tariffs applied by Russia have forced the producers to try harder to improve quality and enter new markets.

*1994 Foreign Aid Reviewed

954K0526F Tallinn ARIPAEV in Estonian 15 Feb 95 p 13

[Article by Tõnis Arnover: "900 Million Kroons In Non-Returnable Foreign Aid"]

[FBIS Translated Text] **Last year Estonia was given close to 900 million kroons in non-returnable foreign aid, but according to Elve Kruus, a specialist at the international cooperation department at the Ministry of Finance, even more important than the monetary expression of this aid are the know-how and experience made available to Estonia.**

"Foreign aid does not mean big sacks of money in the corner of the room, as some aid applicants tend to think," Kruus said, adding that non-returnable foreign aid is given in the form of advice, training, protection for sovereignty—like the Swedish snowmobiles for border guards—or in some other form, but never in money.

According to Kruus, the quality of the aid received depends very much on the skills of asking for it. Foreign aid that became available even before Estonia regained independence in 1990 has changed significantly by now. Formerly big seminars were held and people went to foreign companies to get experience, but now the emphasis has shifted to supporting economic reform and building institutions of a democratic society. Looking at the distribution of last year's aid by sectors, the major areas were environmental protection (19 percent of the aid), democratization assistance (16 percent), agriculture (11 percent), and business enterprise (10 percent).

Biggest Giver of Assistance Is the European Union

The biggest share, from among the principal providers of aid to Estonia, comes from the European Union, whose support has grown from 4 million ECU's in 1991 to apparently 20 million ECU's or 300 million kroons this year. From the super-states, major providers of assistance have been Germany and the United States. Also considerable has been the contribution of Estonia's neighbors and traditional supporters like Finland and Sweden, who last year gave 130 and 93 million kroons in aid, respectively. "There was, however, one significant difference between them," said Kruus, who coordinates assistance from the Nordic countries specifically. "While Sweden's aid, which came mainly through BITS (International Committee for Technical and Economic Cooperation), was divided among 30 major projects, Finnish aid was splintered among some 200 projects. Based on the analysis, Finland is going to aim for better coordination in the future."

According to the economic newspaper DAGENS INDUSTRI, Sweden is also planning to make its aid policy more effective and, to that end, will bring four of its aid organizations, BITS, SIDA (Swedish International Development Authority), Swede Corp, and Sareci under one roof, beginning in July.

At Sweden's initiative, monthly meetings will also be organized in Estonia for economic advisors at the embassies, to which a representative of one of Estonia's sectors is usually invited, so that the needs and aid options for that sector can be evaluated jointly. At this moment, carrying out these meetings has become the task of the representative for the European Union.

All Needs for Aid Are Coordinated

Since the granting of foreign aid is always a political decision, it is usually coordinated with the foreign ministry of the aiding country (donor state). Accepting aid, however, is primarily an economic and financial matter, and this is why, in Estonia, it is handled by the international cooperation department of the Ministry of Finance. Of the three groups working there, two deal with the preparation and calculation of foreign loans and the third with international economic aid.

Foreign Aid Given to Estonia in 1994, by States
(In millions of kroons)

State/Org	Amount	Percentage
European Union	224.8	25.55
United States	179.96	20.48
Finland	130.77	14.88
Sweden	93.72	10.67
Denmark	82.84	9.45
Germany	78.08	8.89
Switzerland	37.25	4.24
Great Britain	15.07	1.71
Netherlands	14.75	1.68
Norway	12.71	1.45
United Nations	9.06	1.03
Source: Ministry of Finance		

Foreign aid data submitted to the government for 1994 does not include uncoordinated foreign aid and part of sovereignty aid, like Norway's aid to home defense for 19 million Norwegian kroons.

Foreign Aid Received in 1994, by Sectors
(In millions of kroons)

Sector	Amount	Percentage
Agriculture	92.45	10.52
Communications	24.64	2.80
State Defense	1.07	0.12
Economic Cooperation	13.89	1.58
Training	62.93	7.16
Enterprise and Industry	83.69	9.52
Energy	54.33	6.18
Environmental Protection	163.54	18.61
Finance	23.83	2.71
Administration/Democratization	139.49	15.87
Health Care	24.04	2.74
Housing Industry	2.40	0.27
Science and Technology	0.99	0.11
Social Sector	58.61	6.67
Trade and Investments	71.46	8.13
Transportation	54.25	6.17
Tourism	3.66	0.42
Other	3.42	0.39
Total	878.69	100
Source: Ministry of Finance		

All applications for foreign aid stemming from the 1993 government decree on the concept of foreign aid should be directed to the international economic aid group at the Ministry of Finance. Applications will be discussed and evaluated by the inter-ministry coordination group.

Latvia

*Armed Forces Chief Discusses Defense, Threat Picture

954K0537A Helsinki SOTILASAIKAKAUSLEHTI in Finnish 8 Feb 95 pp 8-13

[Article by Lieutenant Colonel Erkki Nordberg, chief editor of SOTILASAIKAKAUSLEHTI and commander of the Uusimaa Light Infantry Battalion: "The Baltic Land of Amber and Domestic Threats to Security"]

[FBIS Translated Excerpt] In times of war Latvia has been the attack route between East Prussia and St. Petersburg. In times of peace it has been an administrative and supply base behind the lines.

Only 54 percent of this republic's citizens are Latvians. The communists and various armed groups are considered to pose the greatest threat.

Less than half of Latvian youth manage to get into the military to serve their basic conscript tour of duty. Actually, the defense of the country is pretty much dependent on the Home Guard, or Citizens Security Corps. [passage omitted]

Into NATO and the European Union

Lieutenant Colonel J. Dalbins has acted as the commander of the Latvian armed forces since last November. He was chosen by the government that was sworn in in August. Dalbins lacks the experience of active service as an officer in the Soviet Army, having instead ascended to the rank of lieutenant colonel by meritorious service with the Latvian Citizens Security Corps.

According to Dalbins, Latvia still has not implemented any kind of security doctrine or policy. Indeed, there is need for such a doctrine, but its creation requires continuing hard work. In drafting such a doctrine, you see, domestic politics must be taken into account.

It would be good for Latvia to gain political membership in NATO and the European Union. A prerequisite for this, however, is meeting the security standards of NATO member countries. Another important task is the coordination of a defense organization with the other Baltic republics, and establishing surveillance over the country's air space and coastal waters.

Domestic Threats

In Dolbins' view five primary factors threaten Latvia. The first and foremost threat is created by the intelligence operations of various types being conducted in Latvia by foreign states, a problem that, for the time being, Latvia has no antidote for.

The second threat factor is constituted by various communist groups, and the third by criminal activity. The organs that maintain law and order and establish security, you see, are not yet sufficiently efficient.

The fourth threat factor is the poor economic conditions in Latvia. The fifth threat factor arises from the social conditions and demographics of Latvia. No more than 54 percent of Latvia's inhabitants are ethnically Latvian.

Subversive Organizations

Subversive organizations conducting subversive operations exist within the large segment of the population made up of minority nationalities. They tap into both foreign and domestic problems as a source of resources. Indeed, for political reasons it is difficult to come to effectively have an impact on this fifth and last threat listed, much less to directly take action against it.

One threat falling into this category may be posed by the Aizsargi, an armed organization formed in 1990. Despite the fact that its name seems to hint at the Citizens Security Corps, it did not participate in the nonviolent activities that led to the reestablishment the country's independence, because its members were communists.

It appears that an objective of the group Aizsargi has been to gain the property owned by part of the Citizens Security Corps, a legal organization with the same name. According to Latvian authorities, only some hundreds, perhaps at most as many as 1,000 persons, still belong to this organization, and they are almost without weapons and have no influence whatsoever.

Baltic Cooperation on Defense

Lieutenant Dalbins sees two primary tasks fall upon the national defense organs. First, the domestic situation must be brought under control; second, there must be a capability to repulse an external attack upon the country.

Apparently it is precisely because of the country's domestic situation that Latvians have been strong supporters of Baltic cooperation on defense matters throughout this era of reestablished independence.

An argument for such cooperation states that an enemy would wish to disband Baltic cooperation, thus enabling the enemy, possibly later, to defeat the countries one by one.

The commanders of the armed forces of the Baltic countries have, in fact, already signed an agreement of developing a system for patrolling their mutual airspace. Another agreement has been reached on daily exchange of information between the armed forces and border patrols.

The desirable next step would be to agree on coordinating defense efforts during a time of war. This important issue may, however, be problematic, for there is no historical precedent for it.

Peacekeeping Forces to Latvia?

Colonel Vladis Matiss, about 50 years old, a man who, in his former life, served in the Soviet armed forces, is currently the headmaster at the Latvian National Defense Academy. Important military science research is conducted at this academy that he now heads, despite its meager resources.

According to Colonel Matiss' estimation the unsettled situation in Russia is the primary threat for the Baltic republics. Examples to substantiate this include the 1991 massacres in Vilnius and Riga.

Russian weapons, including heavy weapons, and even Russian troops are still being used in conflicts involving the Commonwealth of Independent States. Russian troop units have also conducted operations without authorization from, or knowledge by, the Defense Ministry.

In addition to this, Russian troops have been stationed in Ingria. The 25th Brigade has been positioned near the Estonian and Latvian borders. Two intelligence brigades of the GRU [Main Intelligence Directorate] are in Irbotsk, and the 8th Army Guard continues to operate out of Konigsberg.

From Disinformation to Intervention

Numerous illegally armed and well-trained groups are active in Latvia. Approximately 1,200 Russian businesses also operate in Latvia. These have security units consisting of six or seven persons, who continue the former KGB's activities.

Political groups spread disinformation among the ethnic Russians in the country. From Latvia's point of view, the most hazardous situation of all would be intervention from outside under the guise of protecting an ethnic minority.

The illegal groups that are active within the country, to make matters worse, are of the type that are simply beyond control by police, necessitating the use of the armed forces for such control. The Riga, Daugavpils, and Jelgava groups, for example, have coordinated leadership and receive support from abroad.

Latvia's external threats, for their part, stem from the strategically important sites within the country, as well as human rights and minority rights issues.

The Antidotes Prescribed by a Military Scientist

Colonel Matiss also has some suggestions on how to counteract these external threats with primarily domestic roots. On a strategic level they include national defense planning, all its preparations, and military exercises in connection with these plans.

This strategy has five parts. First of all a decision should be made regarding organizing the national defense, and then this decision should be publicized as much as possible. A second aspect is having highly mobile battalions that could be speedily transported from one region to another.

The third component is the Citizens Security Corps. They are responsible for regional defenses, but they would also include mobile units. The fourth factor is the establishment of domestic security with highly trained armed forces.

In the event that, despite all, the country would still be attacked, the fifth point in this defense plan is to wage war without establishing definable battle fronts. The armed forces must, therefore, maintain a capability to fight a dispersed war and to utilize terrain and weather conditions to their advantage.

Armed Forces Based on the Citizens Security Corps

The total strength of Latvia's armed forces at this point in time is about 24,000 persons, although it has not yet been possible to even give every person a weapon. In peacetime the armed forces include the Citizens Security Corps, the Border Patrol, the Ground Forces, Navy, and Air Force.

The headquarters staff for the armed forces has recently been reorganized in a way that changes it to an organ that emphasizes land forces. In 1995 the headquarters staff of the Citizens Security Corps will be absorbed into the armed forces headquarters, where it will form a department.

The Citizens Security Corps, called the Zemessardze, has a strength of 16,000 persons, generally members of the Popular Front. There are only enough weapons to issue a weapon to one-half of them, however. The Citizens Security Corps has 1,540 persons on its payroll.

The Citizens Security Corps is responsible for Latvia's defense on a local level. It does, however, include mobile units that can be used in other areas, and it also assists the police in the war against crime.

The Citizens Security Corps is made up of five brigades that include 31-34 battalions. One of the brigades is based in Riga, and the other four are in different provinces. The Citizens Security Corps also has its own training centers.

Armed Forces Patrol Borders

The country's borders are patrolled by 4,500 men who are primarily conscripts. The Border Patrol is composed of seven battalions with a total strength of 300-600 soldiers. The Border Patrol training centers are located in Rezekne and Ventspils.

The Ground Forces are made up of four battalions. The Intelligence and Quick Response Battalion is based in Riga and so is the Headquarters Battalion. The former has Swedish personnel transport vehicles, and paratrooper training is also available there.

The Headquarters Battalion is composed of a company of guards, an honor guard company, and a band. The Light Infantry Battalion, or Mobile Riflemen, and the Engineers Battalion are based in Aluksne.

The small but operational Navy has a strength of 1,000 men. It has three battleships in its fleet, two unarmed minesweepers that were donated by Germany, and three missile launch boats. The Naval Intelligence Battalion has been established in Ventspils.

About 300 men serve in the Air Force. There are hardly any airplanes, for which reason the commander of the armed forces has questioned the existence of this branch of the military.

Extremely Selective Service

Volunteers find it possible to enter the armed forces at the age of 18. Youth that are not citizens of Latvia are also accepted into the service at this same age.

The basic, compulsory (in principle) service tour of duty of 1.5 years is usually served at the age of 19 and 20. Because of the lack of metal cabinets and beds this basic duty service is restricted to citizens of Latvia.

Based on age groupings about 20,000 boys would be eligible to be drafted for basic duty in a given year. Only 4,000 of them can be drafted, however, because of the shortage of cadre, base facilities, and money.

This means that of the persons who should be serving, only about 20 percent receive military training. Among ethnic Latvians this percentage is almost 50, however.

Draft Deferments

Draft deferments are immediately given to all non-Latvian youth, as well as ethnic Latvians who are students, married persons with children, criminals, those with health problems, and farmers who own land. For this reason there are not anywhere nearly enough men available, for example, to patrol the 1,100 km of land frontier and 500 km of coastline.

Due to the exclusion of students, the recruitable population is, by no means, the best available part of the age group. The best available go directly into some kind of business activity.

At this time the shortening of the basic tour of duty to one year is a topic of public debate in the country. At the same time, giving all male citizens at least two months of service is being considered.

Basic Training Center

AS [expansion unknown] Macibu Center is the Latvian army's training center, about 25 km from the center of Riga on the east side of the road to Parnu, Estonia. This base contains the basic training facilities for draftees, and it will also become the training center for the Baltic Battalion.

At this training center all of the conscripts of the Latvian army, and they trickle in at all times of the year, receive their two months of basic training. You see, the local recruiting officials put together groups of draftable persons in their own district every so often, and then such a group, once filled, is sent to this base for training.

Basic training begins with a curriculum of 78 hours duration that ends with the swearing-in ceremony. This is followed by 322 hours of training, 100 hours of which deals with the teaching of NATO standards. After basic training is completed the group is assigned to some battalion to do their tour of duty.

Following basic training the best soldiers are selected for NCO training, lasting two months. After completing this basic infantry training these corporals are assigned to the battalions where the privates in their group are.

The staffing problems of the basic training center for such a new armed force are, of course, difficult. The number of officers serving at the training center is insufficient and it has only 14 percent of the cadre that would actually be needed. Poor pay is the main reason for staff shortages.

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